

CONFORMED COPY

CREDIT NUMBER 3092 ET

Development Credit Agreement
(Agricultural Research and Training Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 1998

CREDIT NO 3092 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 7, 1998 between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated March 13, 1998, from the Borrower describing a program of actions, objectives and policies designed to improve its agricultural research (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to obtain from the International Fund for Agricultural Development (IFAD) a loan to assist in financing of Parts A.3, A.4 and B.2 of the Project; 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 set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997 (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "ARF" means the Agricultural Research Fund, to be established by the Borrower under Part A.3 of the Project to finance agricultural research;
- (b) "AUA" means the Alemaya University of Agriculture;
- (c) "ARF Beneficiary" means an individual, a group of farmers or an institution which has received or applied to receive a Research Grant (as hereinafter defined) under Part A.3 of the Project for the purpose of carrying out an agriculture research activity; and "Beneficiaries" means, collectively, two or more such individuals or groups;
- (d) "Birr" means the currency of the Borrower;
- (e) "EARB" means the Ethiopian Agricultural Research Board, established and operating pursuant to the Borrower's Proclamation No. 79/1997 of June 5, 1997;
- (f) "EARO" means Ethiopian Agricultural Research Organization, an agency established and operating pursuant to the Borrower's Proclamation No. 79/1997 of June 5, 1997;
- (g) "Guidelines" means the guidelines establishing rules, procedures and eligibility criteria for awarding Research Grants (as hereinafter defined) under Part A.3 of the Project;
- (h) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;
- (i) "MOA" means the Borrower's Ministry of Agriculture;
- (j) "Project Implementation Manual" means the manual referred to in Section 7.01 (a) of this Agreement and setting out, inter alia, procedures, guidelines, manuals, timetables, and other arrangements for the purposes of carrying out the Project;
- (l) "Project Year" and "PY" mean the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the First Project Year), and any twelve-month period beginning at the end of the First Project Year, or the end of subsequent Project Years;
- (m) "Research Subproject" means a specific agricultural research activity financed, or proposed to be financed, through Research Grants extended, or to be extended, under Part A.3 of the Project;
- (n) "Regional Government" means each of the governments of the Borrower's Regions of Tigray, Afar, Amhara, Oromia, Somali, Benshangul/Gumuz, Southern Nations, Nationalities and People's Region, Gambella Peoples' Region, and Harari People's Region;
- (o) "Research Grant" means a research grant provided or to be provided to finance a Research Subproject under Part A.3 of the Project;
- (p) "Research Grant Agreement" means the agreement to be entered into between EARO and a Beneficiary for the purpose of carrying out a Research Subproject under Part A.3 of the Project; and
- (q) "Special Account" means the accounts referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-four million five hundred thousand Special Drawing Rights (SDR 44,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in US dollars three separate special deposit accounts (Special Accounts A, B, and C) in its central bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year. Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2008 and ending February 1, 2038. Each installment up to and including the installment payable on February 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount

of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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 declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, B, and C.2 of the Project through EARO, and Part C.1 through AUA, all with due diligence and efficiency and in conformity with appropriate financial, administrative, agricultural research, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A, B, and C.2 of the Project through EARO, and Part C.1 through AUA, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open, and maintain for the duration of the Project implementation, an account (the Project Account) in a commercial bank acceptable to the Association and on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount equivalent to the

Borrower's estimated share of counterpart funds required for Project implementation during the first Project Year, as shall be agreed upon between the Borrower and the Association at the beginning of each Project Year (the Initial Deposit), and thereafter, at annual intervals, deposit into the Project Account such amounts as shall be agreed upon between the Borrower and the Association; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) above shall be used exclusively to finance the Borrower's share of expenditures under the Project other than those financed from the proceeds of the Credit.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect the operations and financial condition of EARO and AUA in accordance with sound accounting practices and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate 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 (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(a) of this (i) maintain, or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause EARO and AUA, respectively:

(a) to take out and maintain with responsible insurers, or to make other

provisions satisfactory to the Association, for insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, including qualified staff for economic and social analysis; and

(c) at all times to operate and to maintain its facilities, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound technical and financial practices.

Section 5.02. Without limitation upon the provisions of paragraph (b) of Section 5.01 of this Agreement, not later than March 31, 1999, the Borrower shall cause EARO to adopt a human resource development plan, acceptable to the Association, which shall be designed to improve the performance of its staff, including provision of incentives to retain qualified research staff.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has adopted the Project Implementation Manual satisfactory to the Association;

(b) the agreements referred to in paragraph 2 of Schedule 4 to this Agreement have been executed on behalf of the Borrower, EARO, AUA and Regional Governments, respectively;

(c) EARO has adopted procedures acceptable to the Association for the decentralization of its research activities;

(d) the Borrower has: (i) furnished to the Association a draft work program and budget for the implementation of the Project during the first Project Year, acceptable to the Association, (ii) opened the Project Account referred to in Section 3.04 (a) of this Agreement, and (iii) made the Initial Deposit referred to in Section 3.04 (b) of this Agreement;

(e) the positions of Deputy General Managers, Project Coordinator, and heads of procurement department and finance and accounting, respectively, of EARO, have been filled with persons with qualifications and experience acceptable to the Association; and

(f) The Borrower has nominated representatives of at least two Regional Governments to serve on the Board of EARO.

Section 7.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 1905
Addis Ababa
Ethiopia

Telex:

21147

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.

Telex:

248423 MCI or
64145 MCI

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

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Berhane Gebre-Christos

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works		90%
(a) under Parts A (excluding A.3 and A.4), and B (exclud- ing B.2) of the Project	6,100,000	
(b) under Part C.1 the Project	1,400,000	
(2) Goods		100% of foreign expenditures, 85% of local expenditures
(a) under Part A (excluding A.3 and A.4), and B (exclud- ing B.2) of the Project	9,300,000	
(b) under Part C.1 of the Project	3,000,000	
(3) Consultants' services and training		100%
(a) under Parts A (excluding A.3 and A.4), and B (exclud- ing B.2), and C.2 of the Project	8,000,000	
(b) under Part C.1 of the Project	6,100,000	
(4) Operating costs		100% for PY1, PY2 and PY3, and 50% thereafter
(a) under Part A (excluding A.3 and A.4) of the Project	500,000	
(b) under Parts B (excluding B.2), and C.2 of the Project	3,500,000	
(c) under Part C.1 of the Project	600,000	
(5) Unallocated	6,000,000	
TOTAL	44,500,000	

2. For the purposes of this Schedule:

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

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

(c) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management, auditing and monitoring, including office supplies, operation and maintenance of vehicles and equipment, travel and supervision costs, and salaries of contractual staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$200,000 equivalent; works under contracts not exceeding \$500,000 equivalent; and services of: (i) consulting firms not exceeding \$100,000 equivalent, and (ii) individual consultants not exceeding \$50,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the Borrower's agricultural production and yields, and incomes of farmers, through improved agricultural research to assist in achieving sustained generation and enhancement of ecologically sound technologies for crop and livestock production systems and natural resource management.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A: Agricultural Research Management

1. Improving the management and operational capacities of EARO, including the strengthening of its capacities in research management and Project implementation, through: (a) the rehabilitation and repair of office facilities; (b) acquisition of vehicles to improve the mobility of EARO's staff; (c) provision of technical advisory services to strengthen EARO's capacity in: (i) the design and supervision of construction works, (ii) procurement and contract management, and (iii) Project implementation, monitoring and evaluation, and (iv) design and prioritization of agricultural research; and (d) carrying out training programs to enhance the technical skills of EARO's staff in, inter alia, administration and human resource management, planning, financial management, procurement, auditing, and research prioritization.

2. Preparation of a rolling five-year agricultural research plan and periodic updating thereof, and organization of national agricultural research workshops, through provision of technical advisory services and training.

3. Establishment and operations of the ARF through the promotion, design, appraisal, supervision, and evaluation of Research Subprojects, and the provision of Research Grants for the financing thereof.

4. Improving farmers' access to off-the-shelf and new technologies by strengthening research-extension-farmer linkages, through the provision of technical advisory services and training and acquisition of equipment.

5. Strengthening the Borrower's agricultural research information and documentation system, including improvement of its linkage with international research entities, through provision of technical advisory services and training, and acquisition of equipment.

6. Carrying out a study of gender-related issues in the Borrower's agricultural research subsector, and preparation and implementation of a program of actions designed to increase the participation of women in agricultural research activities and to improve the relevance of agricultural research to the specific needs of women farmers.

7. Carrying out a benchmark survey and annual surveys to assess the impact of the Project on the Borrower's farming population.

Part B: Agricultural Research System

1. Strengthening the management and operations of selected agricultural research centers, through: (a) rehabilitation and upgrading of housing facilities for research staff and library, office, laboratory, workshops, and social facilities; and (b) acquisition of vehicles, laboratory equipment, and office furniture.

2. Establishment and operation of six agricultural research centers in selected agricultural areas not serviced by existing agricultural research centers, through the carrying out of civil works, the acquisition of equipment and the provision of technical advisory services and training.

3. Preparation and implementation of research programs in biotechnology at selected agricultural research centers, through the construction of laboratory facilities, acquisition of equipment, and provision of technical advisory services and training.

Part C: Human Resource Development

1. Strengthening the management, teaching and research capacities of AUA through: (a) the rehabilitation and upgrading of housing, teaching and research facilities; (b) the acquisition of laboratory and farming equipment and specialized publications; and (c) the carrying out of training programs designed to improve the skills of its academic staff, including training abroad for selected academic staff, and provision of technical advisory services for the replacement of said academic staff.

2. Improving the skills of staff of agricultural research centers through the carrying out of in-service training programs, in-country and abroad.

* * *

The Project is expected to be completed by September 30, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each, and contracts for works shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods, which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$10,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost \$30,000 equivalent or less per contract, and not to exceed \$3,000,000 in the aggregate, shall be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to successfully complete the contract.

5. Direct Contracting

Goods which should be procured: (i) as an extension of an existing contract, or (ii) must be purchased from the original supplier to be compatible with existing equipment, or (iii) are of a proprietary nature, or (iv) must be procured from a particular supplier as a condition of a performance guarantee, and costing \$500,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

6. Procurement from UN Agencies

Vehicles and office equipment estimated to cost less than \$70,000 equivalent, per contract, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, each contract for works estimated to cost the equivalent of \$500,000 or more, and the first two contracts for goods and works, regardless of their estimated cost the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent, per contract, under Part C.1 of the Project may, with the Association's prior agreement, be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Commercial Practices

Services to assist Beneficiaries in carrying out Subprojects under Part A.3 of the Project may be procured in accordance with commercial practices acceptable to the Association.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms and non-governmental organizations estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2 (a)) 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms and non-governmental organizations estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation

1. EARO shall be responsible for the coordination of the implementation of the Project, under the oversight of EARB. For this purpose, EARO shall, not later than June 30, 1998, establish, and maintain until the completion of the Project, a Project Coordination Unit, headed by a Project Coordinator, and with staff whose qualifications shall at all times be satisfactory to the Association, including a procurement specialist, a human resource development specialist, an agricultural research specialist, and an accounting and disbursement specialist.

2. EARO shall be responsible for the implementation of Parts A, B, and C.2 of the Project, and AUA shall be responsible for the implementation of Part C.1 of the Project. The Borrower shall: (i) through MOA, enter into an agreement with EARO for the purposes of carrying out Part A.4 of the Project, (ii) cause EARO to enter into an agreement with the concerned Regional Governments for the purposes of carrying out the Project, and (iii) cause EARO to enter into an agreement with AUA for the purposes of carrying out Part C.1 of the Project, all under terms and conditions acceptable to the Association.

3. Except as the Association shall otherwise agree, the Borrower shall: (i) cause EARO and AUA, respectively, to carry out Parts A (except for Part A.3), B, and C.2 of the Project, and Part C.1 of the Project, respectively, in accordance with the policies, procedures, timetables, guidelines, and other arrangements set out in the Project Implementation Manual; (ii) cause EARO to carry out Part A.3 of the Project in accordance with the Guidelines, and (iii) not amend or waive, or permit to be amended or waived, the Project Implementation Manual, the Guidelines, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project, or any part thereof.

4. The Borrower shall ensure that the positions of Director General, Deputy Director General, Project Coordinator, and Directors of EARO shall, at all times during the execution of the Project, be kept filled by persons having qualifications and experience satisfactory to the Association.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the

Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) cause EARO and AUA to furnish to the Association six-monthly reports in such detail as the Association shall reasonably request, on the progress of the Project;

(c) not later than April 30 of each year, commencing in calendar year 1999, undertake, in conjunction with the Association, EARO and AUA, a joint annual review on all matters relating to the progress of the Project and, in particular the progress achieved in the implementation of the Project during the current calendar year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph;

(d) not later than one month prior to each annual review, shall furnish to the Association:

(i) for its review and comments, a report in such detail as the Association shall reasonably request, on the progress of the Project including: (A) an evaluation of agricultural research activities during the previous calendar year, including beneficiary assessments, and (B) an assessment of the role of the private sector in agricultural research, and

(ii) for its approval, a proposed action plan for the implementation of the Project during the following calendar year, including a proposed work program and a proposed budget.

(e) following each annual review, act promptly and diligently in order to take, or assist EARO and AUA in taking, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement, or assist EARO and AUA in implementing, such measures as may have been agreed upon between the parties in furtherance of the objectives of the Project; and

(f) promptly after the Effective Date, take all measures necessary on its part to organize, in conjunction with the Association, EARO, and AUA a workshop for the launching of the Project implementation which shall cover, inter alia, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

6. Midterm Review

(a) On or about thirty-six months after the Effective Date, the Borrower shall carry out jointly with the Association and EARO a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, among other things:

- (i) an in-depth review of all components of the Project,
- (ii) a discussion of the options for ensuring the long-term sustainability of EARO and AUA, including a review of the timeliness and adequacy of the Borrower's budgetary contribution to the financing of the Project, and
- (iii) a review of arrangements for meeting operating and maintenance costs of agricultural research.

(b) The Borrower shall, at least six (6) weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four (4) weeks after the Midterm Review, prepare an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

7. The Borrower shall take all measures necessary on its part to ensure that EARO, MOA, and AUA are represented in the meetings of EARB at all times until the completion of the Project.

8. Not later than June 30, 1999, the Borrower shall prepare, on the basis of the findings of the study to be carried out under Part A.6 of the Project, an action plan acceptable to the Association, designed to increase the participation of women in agricultural research activities and to improve the relevance of agricultural research to the specific needs of women farmers, and thereafter implement said action plan in accordance with the timetables indicated therein.

9. Not later than June 30, 1999, the Borrower shall cause EARO to adopt an action plan, acceptable to the Association, for the establishment of the research centers to be established under Part B.2 of the Project, and thereafter, implement said action plan in accordance with the timetables indicated therein.

10. Not later than September 30, 1999, the Borrower shall cause EARO to adopt a five-year rolling agricultural research plan acceptable to the Association, including appropriate human and budgetary requirements and timetables, and thereafter implement said plan in accordance with timetables indicated therein.

Part A.3 of the Project

11. Not later than December 31, 1999, the Borrower shall cause EARO to establish the ARF under terms of reference acceptable to the Association.

12. (a) EARO shall administer the ARF in accordance with the Guidelines, including the following provisions:

(i) EARO shall have overall responsibility for the administration and control of the ARF and for the approval and disbursement of Research Grants; and

(ii) EARO shall enter into a Research Grant Agreement with each ARF Beneficiary under terms and conditions, satisfactory to the Association, which shall include the obligation of the ARF Beneficiary to: (A) carry out the research activity approved by EARO, (B) periodically report to EARO on the progress made in carrying out the research, and (C) procure the goods and services to be financed under a Research Grant in accordance with procedures acceptable to the Association as specified in the Research Grant Agreement and which shall be consistent with the provisions of Schedule 3 to this Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (a), 2 (a), 3 (a), and 4 (a) with respect to Special Account A, Categories 1 (b), 2 (b), 3 (b), and 4 (c) with respect to Special Account B, and Category 4 (b) with respect to Special Account C, set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of works, goods and services required for the Project to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 in respect of the Special Account A, an amount equivalent to \$300,000 in respect of the Special Account B, and an amount equivalent to \$300,000 in respect of the Special Account C, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 in respect of Special Account A, until the aggregate amount of withdrawals from the Credit Account allocated to Categories 1 (a),

2 (a), 3 (a), and 4 (a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A (excluding A.3 and A.4), B (excluding B.2), and C.2 of the Project shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits into the respective Special Account of an amount which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify; and

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of any outstanding special commitment entered into by the Association pursuant to Section

5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

