

CONFORMED COPY

CREDIT NUMBER 3080-ZIM

Development Credit Agreement

(Agricultural Services and Management Project)

between

REPUBLIC OF ZIMBABWE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 25, 1998

CREDIT NUMBER 3080-ZIM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 25, 1998, between REPUBLIC OF ZIMBABWE (the Borrower) and the 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 10, 1998, from the Borrower describing a program of actions, objectives and policies designed to implement its institutional reform and sectoral development strategy in agriculture (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the European Union (EU) a grant (the EU Grant) in an amount [equivalent to \$13.07 million] to assist in financing the Project on the terms and conditions set forth in an agreement (the EU Grant Agreement) to be entered into between the Borrower and European Union;

(D) the Borrower intends to contract from the Department for International Development (DfID) of the United Kingdom of Great Britain and Northern Ireland a grant (the DfID Grant) in an amount [equivalent to \$8.66 million] to assist in financing the Project on the terms and conditions set forth in an agreement (the DfID Grant Agreement) to be entered into between the Borrower and DfID; 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), 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) "AGRITEX" means the Department of Agricultural, Technical and Extension Services of MOLA (as hereinafter defined);
- (b) "AMC" means the Agricultural Management Committee of MOLA (as hereinafter defined);
- (c) "ARC" means the Agricultural Research Council established by the Borrower pursuant to the Agricultural Research Act, Chapter 18:05, in charge of promoting, coordinating, and monitoring the development of agricultural research in the Borrower's territory, as amended to the date of this Agreement;
- (d) "AREF" means the Agricultural Research and Extension Fund, to be established by the Borrower, for the purpose of providing Grants (as hereinafter defined) or Matching Grants (as also hereinafter defined);
- (e) "Beneficiary" means a private or public entity which is determined to be eligible for a Grant (as hereinafter defined) or Matching Grant (as hereinafter defined) in terms of the eligibility criteria specified in the Project Implementation Manual (as hereinafter defined), and to whom or for whose benefit a Grant (as hereinafter defined) or Matching Grant (as hereinafter defined) is made or proposed to be made;
- (f) "DR&SS" means the Department of Research and Specialist Services of MOLA (as hereinafter defined);
- (g) "DVS" means the Department of Veterinary Services of MOLA (as hereinafter defined);
- (h) "Grant" means a grant made or proposed to be made by AREF to a Beneficiary for the purpose of financing a research activity under Part A.2(b) of the Project;
- (i) "IAPSO" means the Inter-Agency Procurement Services of the United Nations;
- (j) "Matching Grant" means a grant made or proposed to be made by AREF to a Beneficiary for the purpose of financing an extension activity under Part A.2(b) of the Project;
- (k) "MOLA" means the Ministry of Lands and Agriculture of the Borrower;
- (l) "Project Implementation Manual" means the manual referred to in paragraph 2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01(a) of this Agreement, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual; and
- (m) "Special Account" means the account 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 six million six hundred thousand Special Drawing Rights (SDR 6,600,000).

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 goods, works 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 open and maintain in Dollars a special deposit account for the purposes of the Project in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 2001 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 and 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 March 1 and September 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 March 1 and September 1, commencing September 1, 2008 and ending March 1, 2033. Each installment to and including the installment payable on March 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 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, technical, and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(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 the Project 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 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 sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 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:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) the EU Grant Agreement or the DfID Grant Agreement shall have failed to become effective by November 30, 1998, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(c) (i) subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 a Project Implementation Manual, satisfactory to the Association;

(b) the Borrower has established, for purposes of implementation of the Project, a financial management system and accounting policies and procedures satisfactory to the Association; and

(c) the Borrower has appointed, in a manner satisfactory to the Association, the subsector advisory panels referred to in paragraph 5 of Schedule 4 to this Agreement, for AGRITEX, DR&SS and DVS.

Section 6.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

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:

The Senior Secretary
Ministry of Finance
Private Bag 7705
Causeway, Harare
Zimbabwe

Cable address:

MINFIN
Harare
Zimbabwe

Telex:

22141 ZW

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INDEVAS
Washington, DC

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.

REPUBLIC OF ZIMBABWE

By /s/ Amos Midzi

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 to be Financed	Expenditures
----------	--	------------------------	--------------

(1)	Civil works	370,000	80%
(2)	Goods		100% of foreign expenditures and
	(a) Vehicles and Motorcycles	1,850,000	80% of local expenditures
	(b) Equipment and Materials	860,000	
(3)	Consultants' services and Studies	1,050,000	100%
(4)	Training and Workshops	1,500,000	100%
(5)	Operating Costs	370,000	100%
(6)	Unallocated	600,000	
	TOTAL	6,600,000	

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;

(c) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs but excluding salaries of officials of the Borrower's civil service;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; and (b) under Category (4) unless the Borrower has adopted the first six-month training program referred to in paragraph 6 of Schedule 4 to this Agreement, for DR&SS, AGRITEX and the Policy and Planning Division of MOLA, satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure under such terms and conditions as the Association shall specify by notice to the Borrower, for expenditures for: (a) civil works and goods under contracts and purchase orders not exceeding \$100,000 equivalent; (b) consulting firms, under contracts not exceeding \$50,000 equivalent; and (c) individual consultants, under contracts not exceeding \$30,000 equivalent.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve institutional arrangements and operational capacity for policy formulation and for the sustainable and efficient management, financing and delivery of agricultural services in the Borrower's territory.

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 objectives:

Part A: Rationalization and Effectiveness of Services and Policy-Making

1. Policy Formulation and Strategic Planning

Improving the policy and regulatory framework for agricultural development and reaching broad consensus on the priorities for future public investments and services to support the sector, through:

(a) the carrying out of studies and consultations with stakeholders by MOLA and local or international experts to contribute to on-going policy debates and deepen understanding of emerging policy issues affecting a wide spectrum of sector stakeholders;

(b) the preparation by AGRITEX, DVS and DR&SS of strategic institutional plans that will identify core and non-core functions and current and prospective public and private sector roles and provide a strategy for improved and sustainable service delivery, through the work of task forces, stakeholder consultations, the study of institutional reform and rationalization processes in other countries and technical advisory services and training;

(c) the preparation of a medium-term framework for priority expenditures and support programs in agriculture, based on the participation of private and public stakeholders; and.

(d) the strengthening of the collection and processing of management information and economic data through the provision of training and technical advisory services and the acquisition of computer equipment.

2. Alternative Service Delivery and Financing Arrangements

Planning, implementation, and evaluation of alternative approaches to the financing and/or delivery of selected research, extension, and veterinary services through:

(a) strengthening the Agricultural Research Council (ARC) to operate as the national apex organization for promoting, coordinating, and monitoring the development of agricultural research in the country, through the provision of technical advisory services;

(b) the establishment of an Agricultural Research and Extension Fund (AREF) that shall provide Grants to Beneficiaries to undertake research on priority issues or Matching Grants to Beneficiaries to develop innovative approaches to the provision of extension services, including technical or organizational advice to smallholder farmers; and

(c) the carrying out of pilot activities to commercialize or contract out selected services, introduce user fees and, where possible, privatize services currently provided by the public technical departments, through the provision of technical advisory services.

3. Effectiveness of Public Services

Restoration and maintenance of the effectiveness of current agricultural public services pending the definition of revised core functions, through:

(a) the acquisition of equipment and materials to maintain current capacities for undertaking strategic control of livestock diseases and performing basic livestock clinical services in rural areas;

(b) the extension of the foot and mouth disease (FMD) control fences in the northeastern part of the Borrower's territory and financing of a FMD environmental risk assessment;

(c) improving the mobility of extension, field and supervisory staff through acquisition of vehicles and motorcycles, supporting evaluation of existing extension methodologies and enabling the broader application of diagnostic participatory techniques by extension and research staff through the provision of technical advisory services; and

(d) carrying out of selected on-farm research activities and restoring the effectiveness of specialist services through the acquisition of equipment.

Part B: Efficient Resource Management

1. Human Resource Development and Rationalization

(a) Carrying out of manpower and skills gap analyses in relation to determined core functions and incorporating the results of such analyses into MOLA's training plans and the institutional strategic plans of technical departments.

(b) Carrying out of a training program for: (i) middle and high-level MOLA staff involved in policy analysis and formulation and strategic planning; (ii) senior MOLA and departmental managers in institutional economics and the management of institutional change; and (iii) MOLA staff in organizational development and other technical areas, including business principles, customer relations, contract preparation and supervision, analytical skills and diagnostic participatory techniques.

(c) Upgrading extension worker skills through diploma level training, covering agronomic, farm management, economic and institutional modules.

(d) Preparation and implementation of a reorganization and rationalization plan for MOLA geared toward improving efficiency and effectiveness and including the rationalization and reallocation of staff, functions and facilities.

2. Financial Management Systems

(a) Design and introduction of improved financial and accounting systems and practices, involving: (i) the management of revolving funds for retention and use of revenues generated from services and other incomes; (ii) the introduction and refinement of new procedures for budgeting; (iii) the introduction of improved systems and skills for public accounting at head office, departmental and provincial levels; (iv) the upgrading of internal audit capacity and its integration into a new corporate services unit; and (v) training to improve skills in procurement and asset management.

(b) Development of an information management strategy for MOLA and establishment of a small information technology unit to provide and ensure appropriate support for effective use of computer hardware and software throughout MOLA.

3. Effective Management of the Change Process

Ensuring the quality and stakeholder accountability of the change process being implemented by MOLA, through:

(a) the establishment and operation of subsectoral advisory panels involving major stakeholder representatives and departmental managers;

(b) the carrying out of baseline and subsequent beneficiary and MOLA staff assessments on the quality of MOLA services and operating procedures;

(c) the strengthening of the Agricultural Management Committee (AMC)'s Secretariat through short- and long-term technical advisory services and training; and

(d) the provision of technical advisory services to support Project activities at the departmental level.

* * *

The Project is expected to be completed by January 31, 2001.

SCHEDULE 3

Procurement

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 and September 1997 (the Guidelines) and the following provisions of this Section.

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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

Grouping of contracts

To the extent practicable, contracts for vehicles and motorcycles and for other equipment shall be grouped in bid

packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$550,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

(a) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$350,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$350,000 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.

3. Procurement from UN Agencies

Vehicles, computers and other equipment may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines and as specified in the Project Implementation Manual.

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 or works estimated to cost the equivalent of \$100,000 or more, 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 and revised in September 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 for technical assistance and studies under Part A of the Project, 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. Quality-based Selection

Services for training under Part B of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services for technical advisory services and studies under Parts A and B of the Project which are estimated to cost less than \$5,000 equivalent per contract for individual consultants and \$10,000 for consulting firms 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.

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 estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms 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 \$30,000 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 said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall ensure that the coordination and management of the Project is carried out in accordance with the following arrangements:

(a) MOLA shall have overall responsibility for the implementation of the Project and reporting to the Association.

(b) MOLA's AMC shall have responsibility for providing overall guidance, reviewing the status of project implementation and acting to resolve issues and bottlenecks. The Chairman of the AMC will act as the Project Director and shall, in that capacity, be responsible for providing overall strategic direction and ensuring the continued commitment to the Project's objectives.

(c) The Borrower shall maintain and strengthen AMC's secretariat which shall be responsible for the coordination of the Project on a day-to-day basis and shall appoint thereto staff with experience and qualifications satisfactory to the Association. To this end, the Borrower shall appoint a Project Coordinator who shall be responsible for coordinating the preparation of project-related work plans, monitoring and facilitating the completion of project activities, and preparing consolidated reports on project progress. The Project Coordinator shall be assisted or complemented by: (i) a Financial Advisor, who shall be responsible for improving MOLA's financial systems; and (ii) a Quality Assurance Advisor, who shall be responsible for ensuring that the requirements related to financial management and disbursement aspects of the Project are adhered to. The positions of Project Coordinator and Financial Advisor shall be kept filled at all times during the execution of the Project.

(d) Responsibility for Project execution at the departmental and divisional levels, including for financial management and control, shall be exercised by the Directors and Deputy Secretaries of the respective technical departments and headquarters divisions. They will enter into Memoranda of Understanding, satisfactory to the Association, with the Project Director indicating their accountability for achieving the objectives of their individual sub-component. In the cases of AGRITEX, DR&SS, and DVS, the departmental management committees would provide overall guidance and strategic direction of sub-component activities and investments.

2. The Borrower shall:

(a) prepare and submit to the Association a Project Implementation Manual, satisfactory to the Association, giving the details of all procurement and disbursement arrangements, performance indicators referred to in paragraph 3(a) of this Schedule and other administrative, financial and organizational arrangements relating to the Project, as shall have been agreed with the Association for purposes of the Project; and

(b) carry out the Project in accordance with procedures set out in the Project Implementation Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) no later than September 15 of each year, commencing on September 15, 1999, prepare, under terms of reference satisfactory to the Association, and furnish to the Association a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by October 15 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association views on the matter;

(d) submit to the Association: (i) an annual work program and a detailed procurement plan three months prior to each fiscal year; and (ii) quarterly project progress reports which shall include agreed performance indicators, provided that all progress reports after September 30, 1999 shall also reflect the benchmark indicators included in the departmental strategic institutional plans; and

(e) undertake, no later than 18 months after the effective date of this Agreement, in conjunction with the Association a mid-term review during which they shall exchange views generally on all matters relating to the progress in the implementation of the Project and the performance by the Borrower of its obligations under this Agreement and implement, thereafter, no later than July 30, 2000, the recommendations of the mid-term review action plan agreed upon.

4. The Borrower shall take the following actions, in a manner satisfactory to the Association:

(a) no later than November 1, 1998, complete all baseline staff attitudes and client satisfaction surveys referred to in Part B.3(b) of Schedule 2 to this Agreement;

(b) no later than December 30, 1998, complete the analyses of core and non core functions referred to in Part A.1(b) of Schedule 2 to this Agreement;

(c) no later than November 30, 1998, complete a draft national agricultural research master plan that shall prioritize future agricultural research activity, estimate the resources required to pursue priority research programs, and define the roles of the different research actors within the national agricultural research system;

(d) no later than December 30, 1998, complete the information technology management strategy for MOLA referred to in Part B.2(b) of Schedule 2 to this Agreement;

(e) no later than July 30, 1999, submit to the Association, in draft form, the departmental strategic plans referred to in Part A.1(b) of Schedule 2 to this Agreement; and

(f) no later than September 30, 1999, submit, in final form, the departmental strategic plans referred to in Part A.1(b) of Schedule 2 to this Agreement, with approved plans of action to the Association taking into account any comments made by the Association.

5. The Borrower shall appoint and maintain at all times during the execution of the Project sub-sector advisory panels for AGRITEX, DR&SS and DVS composed of representatives of farmers, agribusiness companies and nongovernmental organizations. These panels shall be responsible for advising: (i) on matters related to the institutional reform and restructuring process at the departmental level, and (ii) on measures to improve the delivery and effectiveness of services. They shall meet on a quarterly basis and at such other times as may be necessary.

6. The Borrower shall adopt a training plan for MOLA, to be included in the Project Implementation Manual, which shall specify the particular professional and technical skills to be strengthened at the departmental and divisional levels, the major forms and estimated timing of the training, and the procedures for managing and monitoring its implementation. This plan shall be implemented through six-month training programs. Each training program shall specify the particular types of training and courses envisaged, the departments and divisions as well as the numbers and categories of staff involved in each type of training/course and, where known, the sites and institutions that will provide the training.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (5) 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 goods and services required for the Project and 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 \$800,000 to be withdrawn from the Credit Account and deposited into the Special Account 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 \$400,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR3,000,000.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 deposit into the Special Account of an amount or amounts 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 Special Account such amount or amounts as the Borrower shall have requested.

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

(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 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 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 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 the 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 Account;

(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, minus the total amount of all outstanding special commitments 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 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 the 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 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 the 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 the 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 Account.

(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.



