

CONFORMED COPY

CREDIT NUMBER 3204-UG

Project Agreement

(Second Agricultural Research and Training Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL AGRICULTURAL RESEARCH ORGANISATION

Dated June 2, 1999

CREDIT NUMBER 3204-UG

PROJECT AGREEMENT

AGREEMENT, dated June 2, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NATIONAL AGRICULTURAL RESEARCH ORGANIZATION (NARO).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Uganda (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to nineteen million one hundred thousand Special Drawing Rights (SDR 19,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NARO agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and NARO, the proceeds of the credit provided for under the Development Credit Agreement will be made available to NARO on the terms and conditions set forth in the Subsidiary Agreement; and

WHEREAS NARO, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) NARO declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural research and training practices, and shall provide, or cause to be provided, 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 Association and NARO shall otherwise agree, NARO shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. (a) NARO shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07. of the General Conditions and without limitation thereto, NARO shall:

(i) 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 Association and NARO, a plan for the future operation of the Project; and

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

Section 2.04. NARO shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, NARO shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) NARO shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Credit.

(b) NARO shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by NARO of its obligations under this Agreement and under the Subsidiary Agreement.

## ARTICLE III

### Management and Operations of NARO

Section 3.01. NARO shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and agricultural research and training practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NARO shall at all times operate and maintain its buildings, office

space, plant, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices.

Section 3.03. NARO shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) NARO shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) NARO shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, including those for the Project Account, audited in accordance with auditing standards acceptable to the Association consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and 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, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. Without limitation upon the provisions of Section 4.01 of this Agreement, NARO shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial system for the Project in order to enable NARO, not later than September 30, 1999, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association. Each such report shall:

(i) set forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the Project for the six-month period following the period covered by said report, and show separately expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) describe physical progress in Project implementation, both cumulatively and for the period covered by said report, and explain variances between the actual and previously forecast implementation targets; and

(iii) set forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this

Section, NARO shall prepare in accordance with guidelines acceptable to the Association, and furnish to the Association, not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of NARO thereunder shall terminate on the earlier of the following two dates:

in (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify NARO of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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)

For NARO:

National Agricultural Research  
Organisation  
39 Berkeley Road  
Entebbe  
Uganda

Cable address:

AGRICULTURE  
ENTEBBE

Telex:

61287  
NATURE UG

Section 6.02. Any action required or permitted to be taken, and any document

required or permitted to be executed, under this Agreement on behalf of NARO, or by NARO on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Director General of NARO or such other person or persons as said Director General shall designate in writing, and NARO shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

NATIONAL AGRICULTURAL RESEARCH ORGANISATION

By /s/ Edith Ssempala

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. 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, September 1997 and January 1999 (the Guidelines), subject to (a) the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" shall be deemed to be references, respectively, to "Participating countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 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 \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Except as provided in paragraph 2 of this Part, goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Bidders for works estimated to cost the equivalent of \$200,000 or more per contract shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 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 of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) 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 complete the contract successfully.

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 works estimated to cost the equivalent of \$200,000 or more and each contract of goods 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

1. Consultants' services shall be procured in accordance with (a) 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 and January 1999, subject to (a) the modifications thereto set forth in paragraph 2 of this Part A, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 \$100,000 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 of consulting firms estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Consulting services for the Project 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.

3. Single Source Selection

Consulting services for the Project which are estimated to cost less than: (i) \$100,000 equivalent per contract for consulting firms; and (ii) \$50,000 equivalent per contract for individual consultants, 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 \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (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 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 2

### Implementation Program

#### 1. (a) NARO shall:

(i) prepare and furnish to the Association no later than June 30, 1999 a Project Implementation Plan satisfactory to the Association setting out: (A) the details of all procurement and disbursement arrangements for the Project; (B) performance indicators satisfactory to the Association, said indicators being subject to modification by agreement between the Association and NARO; (C) a timetable for the establishment of the ARDCs; (D) details of the institutional structure of the ARDCs, including their staffing, funding and operating procedures; (E) arrangements for the decentralization of financial and administrative responsibilities to the research institutes, stations and centers, said arrangements being subject to modification by agreement between the Association and NARO; and (F) such other administrative, financial and organizational arrangements as shall be required for the Project; and

(ii) carry out the Project in accordance with the provisions of this Schedule 2 and the procedures set out in the Project Implementation Plan.

(b) NARO: (i) shall obtain the consent of the Association before making any material changes in the Project Implementation Plan; and (ii) shall not make any such changes in the said Plan that are, in the opinion of the Association, likely to affect materially or adversely the carrying out of the Project or the achievement of the objectives of the Project.

(c) The farmer extension research interface linkages under the Project shall be implemented by the ARDCs under the overall supervision of the Deputy Director General of NARO for Outreach and Technological Dissemination. The ARDCs' functions shall include: (i) strengthening NARO's capacity to transfer technology effectively; (ii) serving as a base for launching an on-farm technology verification and adaptation program with the participation of smallholder clients and the extension services; (iii) serving as a venue for in-service training, monthly technical workshops and for planning; and (iv) carrying out of technology verification and adaptation trials.

2. NARO shall: (i) streamline and strengthen its Monitoring Evaluation and Planning Unit; and (ii) provide adequately for stakeholder consultation.

3. (a) NARO's Director General shall be the Project Manager of the Project.

(b) NARO shall be responsible for the overall monitoring of the Project and the periodic evaluation of the Project, including: (i) the periodic preparation of reports on Project implementation status, (ii) the regular furnishing of the said reports to the National Agricultural Research Board and the Association; and (iii) the development of procedures to (A) monitor and annually evaluate with the participation of stakeholders the cost-effectiveness of each research activity carried out under the Project, and (B) explore cost reducing measures.

(c) NARO shall continue to maintain its Human Resources Development Committee in a form and with functions satisfactory to the Association. The said Committee shall be responsible for the implementation of the training activities of the Project and its membership shall include representatives of: (i) the NARO Secretariat and research



institutes, (ii) Makerere University's Faculty of Agriculture and Forestry, and (iii) MAAIF.

(d) NARO shall no later than 90 days after the date of Credit effectiveness, cause to be prepared: (i) an operational plan for NARO to provide technical back-stopping to the extension services, and (ii) a study to clarify NARO's relationships with MAAIF and local governments.

(e) NARO shall cause to be prepared and brought into effect no later than October 1, 1999, a performance appraisal system satisfactory to the Association which shall be used by NARO in: (i) evaluating Project performance and impact; (ii) evaluating organizational performance to improve administration and accountability; and (iii) evaluating staff performance in order to improve the relevance and quality of research and outreach programs and determine, as necessary, staff promotion, rewards and sanctions.

4. (a) NARO shall be responsible for the management of ARDF and to that end shall establish in a form and with policies, functions, procedures and membership satisfactory to the Association a management committee to be responsible for the day to day management of ARDF. The Management Committee shall be assisted by a panel of technical reviewers acceptable to the Association.

(b) NARO shall not change the policies, functions, procedures or membership of the Management Committee without prior consultation with the Borrower and the Association.

(c) NARO shall prepare and furnish to the Association no later than July 1, 1999 a manual for ARDF (the ARDF Manual). NARO shall obtain the consent of the Association before making any material changes in the ARDF Manual; and (ii) shall not make any such changes in the ARDF Manual that are, in the opinion of the Association, likely to affect materially or adversely the carrying out of Part A. 3 of the Project.

(d) Grants shall be made to scientists, universities, private sector agencies, international institutions and individuals meeting the criteria set out in the ARDF Manual subject to the following provisions of this paragraph (d):

(i) the Management Committee may approve Grants not exceeding in the case of (A) individual researchers, \$10,000 equivalent, and (B) research institutions or universities, \$25,000 equivalent, said amounts being subject to increase by the National Agricultural Research Board with the concurrence of the Association; and

(ii) the approval by the National Agricultural Research Board and the Association's concurrence shall be required in the case of all Grants exceeding the limits set out in subparagraph (d) (i) above;

(iii) The Management Committee and the National Agricultural Research Board shall in approving Grants give first consideration to research proposals that (A) address the highest priority research areas of NARO, and (B) foster team effort, collaboration among institutions and links with universities and the private sector, including farmers, NGOs, agribusiness companies and commodity groups.

#### 5. Research Grant Agreements

(a) After a Research Subproject proposal has been approved for a Grant, NARO shall enter into an agreement on terms and conditions satisfactory to the Association (the Research Grant Agreement) with each Research Grant Recipient.

(b) Each Research Grant Agreement shall require the Research Grant Recipient to (i) carry out the Research Subproject proposal as approved by NARO; (ii) report periodically to NARO on the progress made in carrying out the Research Subproject against the objectives and output indicated in the relevant Research Grant Agreement; (iii) provide an accountability report, along with supporting documents duly audited by NARO'S internal audit unit; and (iv) use the proceeds of the Grant solely to finance costs relating to the Research Subproject.

(c) The Research Grant Agreement shall also provide for the right of NARO to obtain all such information as the Association or NARO shall reasonably request relating to the foregoing provisions of subparagraph (b) of this paragraph.

6. (a) NARO shall establish, for the research institutes, stations and centers included in the Project, Program Planning and Review Committees (PPRCs) in a form and with functions and membership satisfactory to the Association.

(b) The functions of the PPRCs shall include: (i) the provision of guidance to the directors, and review of the research plans and budgets of the said research institutes, stations and centers; (ii) the making of recommendations to NARO with regard to the approval and funding by NARO of the said research plans and budgets; (iii) the periodic review of program implementation; and (iv) the formulation of zonal agricultural research priorities.

(c) The research institutes, stations and centers shall be responsible for: (i) monitoring the progress of their respective programs under the Project in accordance with performance indicators satisfactory to the Association; and (ii) the preparation and submission of reports to NARO for distribution to donors and clients. The said reports shall, after recommendations by the PPRCs and approval by the National Agricultural Research Board be used to provide guidance for the execution of the Project.

7. (a) NARO shall no later than 90 days after the date of Credit effectiveness cause to be carried out a study satisfactory to the Association to evaluate possible mechanism for providing funding for research in a sustainable manner, including in the case of research on export commodities funding of such research through contract arrangements between NARO and the export commodity sectors and other agri-business enterprises.

(b) NARO shall continue to maintain: (i) a financial management system covering the ARDCs and the zonal agricultural research stations included in the Project; and (ii) a financial management and accounting manual for the Project, said system and manual to be in form and substance satisfactory to the Association.

8. NARO 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) no later than November 1 each year, commencing from November 1, 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 subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period of 12 months preceding the period ending June 30 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; and

(c) review with the Association, by January 15, 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's views on the matter.

9. (a) NARO shall carry out, jointly with the Borrower and the Association, no later than 36 months after the Effective Date, a mid-term review of the progress made in carrying out the Project. The said mid-term review shall cover, among other things: (i) progress made in meeting the Project's objectives; and (ii) the performance by the Borrower and NARO of their respective obligations under the Project.

(b) NARO shall carry out, no later than one month after the completion of the report of the mid-term review referred to in subparagraph (a) above, the recommendations of said review as agreed with the Association and set out in an action

plan satisfactory to the Association.

