

CONFORMED COPY

CREDIT NUMBER 3036-TA

Development Credit Agreement

(Tanzania Agricultural Research Project - Phase II)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 31, 1998

CREDIT NUMBER 3036-TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 31, 1998, between THE UNITED REPUBLIC OF TANZANIA (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 of Sub-sectoral Policy on Agricultural Research dated October 16, 1997, 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) Part D of the Project will be carried out by Sokoine University of Agriculture (SUA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the SUA part of the proceeds of the Credit as a grant as provided in this Agreement;

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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Beneficiary" means an individual or a group of farmers or scientists who had received or applied to receive a Research Grant (as hereinafter defined) under Part B.2 of the Project for the purpose of carrying out an agriculture research activity; and
- (b) "Beneficiaries" means, collectively, two or more such individuals or groups;
- (c) "Charter" means the Sokoine University of Agriculture Act, No. 6 of 1984, as amended to the date of this Agreement;
- (d) "DRT" means the Department of Research and Training in the Borrower's Ministry of Agriculture and Cooperatives;

(e) "Guidelines" means the guidelines establishing rules, procedures and eligibility criteria for awarding Research Grants (as hereinafter defined) under Part B.3 of the Project;

(f) "MOAC" means the Borrower's Ministry of Agriculture and Cooperatives;

(g) "Project Implementation Plan" means the plan to be prepared by the Borrower pursuant to Section 6.01 (a) of this agreement for the implementation of the Project as such plan may be amended or modified from time to time by agreement between the Borrower and the Association;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter dated October 20, 1997, and countersigned on November 3, 1997;

(i) "Research Grant Agreement" means the agreement to be entered into between MOAC and a Beneficiary for the purpose of carrying out a research activity under Part B.3 of the Project;

(j) "Research Grant" means a research grant provided or to be provided under Part B.3 of the Project;

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(l) "SUA" means Sokoine University of Agriculture, established pursuant to its Charter;

(m) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and SUA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement and Subsidiary Grant means the grant to be made under the Subsidiary Agreement;

(n) "Tanzania Shilling" and "Tsh" mean the currency of the Borrower;

(o) "ZARF" means Zonal Agricultural Research Fund, one of the funds to be established under Part B.2 of the Project to finance agricultural research; and "ZARFs" means, collectively all such funds; and

(p) "ZRC" means Zonal Research Center, each of the seven research centers operated by DRT and located at Ukiriguru, Tumbi, Selian, Ilonga, Mpwapwa, Naliendele and Uyole, respectively.

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 fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

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 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 Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required

to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2003, 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 May 1 and November 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 May 1 and November 1 commencing May 1, 2008 and ending November 1, 2037. Each installment to and including the installment payable on November 1, 2017, 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:

(i) shall carry out Parts A, B and C of the Project through MOAC, with due diligence and efficiency and in conformity with appropriate administrative, environmental, and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause SUA to carry out Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative, environmental, agricultural and educational practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SUA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 of the Project and cause SUA to carry out Part D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make part of the proceeds of the Credit, not exceeding such amount as may be allocated from time to time to Categories (2) (b) and (5) (b) in the table in paragraph 1 of Schedule 1 to this Agreement, available to SUA as a grant under a subsidiary agreement to be entered into between the Borrower and SUA, under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

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 for the future operation of the Project; and

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

Section 3.04. For the purposes of Part B.2 of the Project, the Borrower shall:

(a) not later than June 30, 1999, establish a ZARF in the three designated pilot agricultural research zones (Ilonga, Naliendele and Selian), under terms of reference satisfactory to the Association and deposit into each ZARF an amount not exceeding \$200,000 out of proceeds of the Credit allocated to Category (4) of the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) use the funds in the ZARFs exclusively for making Research Grants to Beneficiaries who meet the criteria specified in paragraph 2 of Schedule 4 to this Agreement under the terms and conditions and following the procedures set forth in the Guidelines.

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 Parts A, B and C 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 for Parts A, B and C of the Project 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.

Section 4.02. (a) The Borrower shall cause SUA to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of SUA.

(b) The Borrower shall cause SUA to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records 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 (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements 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 for Part D of the Project were made on the basis of statements of expenditure, the Borrower shall cause SUA to:

(i) maintain, 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 expenditures 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 (h) of the General Conditions, the following additional events are specified:

(a) the Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of SUA or its ability to carry out the Project;

(b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SUA or for the suspension of its operations;

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

(d) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SUA will be able to perform its obligations under the Development Credit Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that any of the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and SUA;

(b) the Borrower has adopted the Project Implementation Plan and the Guidelines satisfactory to the Association; and

(c) the Borrower has established an executive committee for each ZRC, each having composition and terms of reference acceptable to the Association.

Section 6.02. 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 VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance 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:

Ministry of Finance
P. O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:	Telex:
TREASURY Dar es Salaam	41329

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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.

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. 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	1,450,000	90%
(2) Equipment, vehicles furniture and materials:		100% of foreign expenditures and 90% of local expenditures
(a) under Parts A, B and C of the Project	2,460,000	
(b) under Part D of the Project	150,000	
(3) Consultants' services and training under Parts A, B and C of the Project	3,990,000	100%
(4) Research Grants under Part B.2 of the Project	1,020,000	50%
(5) Incremental operating costs		
(a) under Parts A, B and C of the Project	4,440,000	100% until with- drawals under this Category have reached an aggregate amount equivalent to SDR 2,900,000; there- after, 90%
(b) under Part D of the Project	210,000	100%
(6) Refunding of Project Preparation Advance	730,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,450,000	
TOTAL	15,900,000	

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 "incremental 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: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Category (4) unless the Research Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures for: (a) goods under contracts not exceeding \$100,000 equivalent; (b) works under contracts not exceeding \$200,000 equivalent; (c) services with consulting firms under contracts not exceeding \$100,000 equivalent; (d) services of individual consultants under contracts not exceeding \$50,000 equivalent; (e) operating costs; (f) local training; and (g) foreign training not to exceed \$10,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase efficiency and productivity of crop and livestock production, with sustainable use of natural resources and particular focus on the needs of the smallholder sector through the generation and dissemination of new agricultural technologies; (b) support the institutional development of the national agricultural research system and the decentralization to the ZRCs of financial resource management, operational decision-making and the formulation of research agendas; (c) support privatization of agricultural research where appropriate; and (d) encourage client-oriented adaptive research including strengthening linkages between farmers, extension agents, and agricultural researchers.

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: Institutional Development

1. Streamlining the organizational structure of DRT with a view to increasing participation by farmers, marketing experts, agricultural suppliers, members of the food processing industry, extension agents, research scientists and other people affected by agricultural research in the decision making process of DRT and the ZRCs.

2. Strengthening of DRT's administrative, financial management and accounting system to ensure efficient and timely allocation and utilization of resources, through a restructuring of the finance and accounting functions and decentralization of key financial responsibilities to the ZRCs.

3. Carrying out of an expanded skills upgrading program for DRT staff in management, technical and administrative skills and carrying out a phased program of redeployment of professional staff and the reduction of non-essential staff.

4. Improving DRT's capacity to monitor and evaluate donor support in agricultural research through the provision of technical advisory services and training and

equipment.

Part B: Research Programs

1. Carrying out of priority nationally coordinated research programs in foodcrops, livestock, soil conservation and agro-forestry.
2. Establishment of Zonal Agricultural Research Funds in up to seven pilot zones and support for the National Agricultural Research Fund.
3. Provision of Research Grants to Beneficiaries for the purpose of financing research activities.
4. Improving the ZRCs's capacity to provide breeder and foundation seeds to private sector seed companies and farmer seed producers through the establishment of foundation seed units, including construction of seed processing facilities and acquisition of field equipment and vehicles at selected research centers.

Part C: Resource Development and Management

1. Strengthening the capacity of DRT to coordinate agricultural research through the provision of staff training, technical advisory services, vehicles and computer and other office equipment.
2. Rehabilitation of selected research stations and of DRT headquarters facilities and acquisition of research equipment for use in headquarters building.

Part D: Sokoine University of Agriculture

1. Strengthening the capacity of SUA to identify priority constraints of dominant crop/livestock/agroforestry production systems and to design adaptive research programs in research stations and farmers' fields to produce appropriate technologies which are biologically stable, economically viable and benign to the environment, through the provision of technical advisory services and equipment, materials and vehicles.
2. Strengthening the capacity of SUA to carry out agricultural training programs through the provision of training, equipment, materials and technical advisory services.

* * *

The Project is expected to be completed by December 31, 2002.

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 (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, works and 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 works and 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 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. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,300,000 equivalent and goods estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount not to exceed \$450,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 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 \$1,000,000 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. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$260,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph 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 works estimated to cost the equivalent of \$200,000 or more and each contract for 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

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 Consultants' 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 Consultants' 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 \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultants' 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 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultants' Guidelines.

2. Single Source Selection

Services estimated to cost less than \$50,000 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 Consultants' Guidelines.

3. Individual Consultants

Services estimated to cost \$100,000 or less shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultants' 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 Consultants' 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 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultants' 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 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 Consultants' Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall maintain until completion of the Project, the Project Steering Committee chaired by the Principal Secretary MOAC, and composed of the Commissioner for Research and Training, heads of MOAC departments, Assistant Commissioners responsible for research on crops, livestock and factor programs, Zonal Directors for Research and Training and the Director of Research and Postgraduate studies at SUA. The Project Steering Committee shall give directions on policy and operational issues, approve the annual workplan and budget, and review implementation progress.

2. The Commissioner for Research and Training, DRT shall be responsible for the overall implementation of the Project, assisted by a deputy, a planning and monitoring officer, a procurement specialist and a project accountant.

3. The Borrower shall establish and maintain in each zone, a zonal executive committee to approve the zonal annual work plan and budget, and to provide oversight of program implementation within the zone.

4. The Director of Research and Postgraduate Studies of SUA shall be responsible for planning and implementation of Part D of the Project.

5. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2000, 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; and

(c) review with the Association, by December 31, 2000, 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.

5. (a) DRT shall be responsible for the establishment and administration of the ZARFs under Part B.2 of the Project in accordance with the Guidelines, including the following provisions:

(i) DRT shall have overall responsibility for the administration and control of the ZARFs and for the approval and disbursement of Research Grants to be financed out of the proceeds of the Credit allocated to Category (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(ii) a matching contribution to each Research Grant from the Borrower or other source of funding;

(iii) the eligibility criteria for Research Grants to be financed through the NARF and the ZARFs, shall include the following: (A) the research proposals shall be relevant to priority agricultural policy issues, (B) the research proposal shall focus on farmers especially smallholder male and female farmers, (C) the research proposal shall take note of the farming systems approach, (D) the research proposal shall fall into the category of applied/adaptive research,

(E) all alternative avenues for financing the proposed research shall have been exhausted, including the private sector, (F) the objectives of the proposed research shall be sufficiently well defined to ensure an outcome that will directly contribute to the development of

viable technologies for adoption by farmers and thus to the development of food security and sustainable growth, (G) the proposed research shall not have been undertaken elsewhere, or if it has, the results achieved in the previous research cannot be adapted for use in Tanzania without the research described in the research proposal, (H) the anticipated results of the proposed research shall have broad applicability with significant potential economic benefits to the agricultural sector, (I) the anticipated results of the proposed research shall have significant financial benefits for end users, (J) the research proposal shall include adequate provision to allow the anticipated results to be properly evaluated for their environmental impact and (K) the research proposal shall clearly indicate how the technology to be explored or developed will be disseminated to end users;

(iv) unless the Association shall otherwise agree, each Research Grant (A) for the ZARFs shall not exceed \$30,000 equivalent, and (B) for the National Agricultural Research Fund research activities shall not exceed \$100,000 equivalent; and

(v) MOAC shall enter into a Research Grant Agreement with each Beneficiary under terms and conditions, satisfactory to the Association, which shall include the obligation of the Beneficiary to (A) carry out the research activity approved by DRT, (B) periodically report to DRT 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 Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (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 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, equivalent to \$750,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$375,000 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 for the Project shall be equal to or exceed the equivalent of SDR 2,000,000.

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 eligible Categories, and in the 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 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 Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 paragraph 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.

