

CONFORMED COPY

CREDIT NUMBER 2154 PAK

Development Credit Agreement

(Second Agricultural Research Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 27, 1990

CREDIT NUMBER 2154 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 27, 1990, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Pakistan Agricultural Research Council (PARC) and the Punjab, Sind, Baluchistan and North West Frontier Provinces (the Provinces) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PARC and the Provinces the proceeds of the Credit as provided in this Agreement; 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, in the Project Agreement of even date herewith between the Association and PARC (the PARC Project Agreement) and in the Project Agreement of even date herewith among the Association and the Provinces (the Provinces Project 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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "PARC" means the Pakistan Agricultural Research Council, re-established and existing under the Pakistan Agricultural Research Council Ordinance, 1981 (Ordinance No. XXXVIII of 1981);

(b) "PARC Ordinance" means the Ordinance referred to in Section 1.02 (a) of this Agreement;

(c) "NARC" means the National Agricultural Research Center at Islamabad, being the principal research institute of PARC;

(d) "ARINA" means PARC's Agricultural Research Institute for Northern Areas;

(e) "AZRI" means the Arid Zone Research Institute of PARC;

(f) "AERU" means an Agricultural Economics Research Unit of PARC;

(g) "SSIP" means the Soil Survey Institute of Pakistan;

(h) "PCRWR" means the Pakistan Council of Research in Water Resources;

(i) "Punjab" means the Province of Punjab, a political sub-division of the Borrower;

(j) "Sind" means the Province of Sind, a political sub-division of the Borrower;

(k) "NWFP" means the North West Frontier Province, a political sub-division of the Borrower;

(l) "Baluchistan" means the Province of Baluchistan, a political sub-division of the Borrower;

(m) "Provinces" means Punjab, Sind, NWFP and Baluchistan collectively, and "Province" means each or any of the Provinces individually;

(n) "PARB", "SARO" and "BARB" mean, respectively, the Punjab Agricultural Research Board, the Sind Agricultural Research Organization and the Baluchistan Agricultural Research Board, all to be established under Part A.2 of the Project;

(o) "AUF", "SAU" and "AUP" mean, respectively, the Agricultural University of Faisalabad in Punjab, the Sind Agricultural University at Tandojam in Sind, and the Agricultural University at Peshawar in NWFP;

(p) "MSU" means a Management Support Unit, to be established under Part A.3 of the Project;

(q) "ARI" means an Agricultural Research Institute of a Province;

(r) "NARP" means the National Agricultural Research Plan of PARC;

(s) "PRMP" means a Provincial Research Master Plan;

(t) "PARC Project Agreement" means the agreement between the Association and PARC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the PARC Project Agreement;

(u) "Provinces Project Agreement" means the agreement among the Association and the Provinces of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Provinces Project Agreement;

(v) "Project Agreements" means collectively the PARC Project Agreement and the Provinces Project Agreement;

(w) "PARC Special Account" means the account which PARC shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the PARC Project Agreement;

(x) "Punjab Special Account" means the account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Provinces Project Agreement;

(y) "Sind Special Account" means the account which Sind shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Provinces Project Agreement;

(z) "NWFP Special Account" means the account which NWFP shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Provinces Project Agreement;

(aa) "Baluchistan Special Account" means the account which Baluchistan shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Provinces Project Agreement;

(bb) "Special Accounts" means collectively the PARC, Punjab, Sind, NWFP and Baluchistan Special Accounts, and "Special Account" means each or any of these accounts individually;

(cc) "ECNEC" means the Executive Committee of the National Economic Council of the Borrower;

(dd) "Rupees" and "Rs" mean the currency of the Borrower; and

(ee) "FY" and "fiscal year" mean the period July 1 through June 30.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-four million four hundred thousand Special Drawing Rights (SDR 44,400,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, cause each of PARC, Punjab, Sind, NWFP and Baluchistan to open and maintain in dollars a special account in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998 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 cancelled; 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 semi-annually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing November 1, 2000 and ending May 1, 2025. Each installment to and including the installment payable on May 1, 2010, shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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 upon any of its other obligations under the Development Credit Agreement, shall

cause PARC, Punjab, Sind, NWFP and Baluchistan to perform in accordance with the provisions of the Project Agreements all the obligations of PARC, Punjab, Sind, NWFP and Baluchistan therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PARC, Punjab, Sind, NWFP and Baluchistan to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available as follows:

- (i) to PARC, in an amount equivalent to about SDR 17,954,000 for the purposes of Parts A.1, B.1, B.3, C and D of the Project, to the extent of PARC's responsibility therefor;
- (ii) to Punjab, in an amount equivalent to about SDR 9,443,000 for the purposes of Parts A.2, A.3, A.4, A.5, B.2 and D of the Project, to the extent of Punjab's responsibility therefor;
- (iii) to Sind, in an amount equivalent to about SDR 7,663,000 for the purposes of Parts A.2, A.3, A.4, A.5, B.2 and D of the Project, to the extent of Sind's responsibility therefor;
- (iv) to NWFP, in an amount equivalent to about SDR 5,111,000 for the purposes of Parts A.2, A.3, A.4, A.5, B.2 and D of the Project, to the extent of NWFP's responsibility there for; and
- (v) to Baluchistan, in an amount equivalent to about SDR 4,229,000 for the purposes of Parts A.2, A.3, A.4, A.5, B.2 and D of the Project, to the extent of Baluchistan's responsibility therefor.

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 1 to the PARC Project Agreement and Schedule 1 to the Provinces Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 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) shall be carried out as follows:

(a) in respect of Parts A.1, B.1, B.3, C and D (relevant part) of the Project, by PARC pursuant to Section 2.03 of the PARC Project Agreement; and

(b) in respect of Parts A.2, A.3, A.4, A.5, B.2 and D (relevant part) of the Project, by the Provinces pursuant to Section 2.03 of the Provinces Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
 - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section 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, including 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; 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.

Section 4.02. (a) The Borrower shall provide adequate capital and operational funds to PARC so as to enable PARC and its institutes to successfully implement their long-term research plans as set forth in NARP.

(b) To that end, the Borrower shall, not later than March 31 in each year, beginning 1993, review with the Association PARC's research priorities and the related work programs and financing plans for agricultural research for the following twelve months, and shall make such adjustments to such programs and plans as shall have been agreed with the Association in light of the conclusions of such review.

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) PARC or a Province shall have failed to perform any of its obligations under the PARC Project Agreement or the Provinces Project Agreement, as the case may be.

(b) 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 PARC or a Province will be able to perform its obligations under the PARC Project Agreement or the Provinces Project Agreement, as the case may be.

(c) The PARC Ordinance shall have been amended, suspended,

abrogated, repealed or waived so as to affect materially and adversely the ability of PARC to perform any of its obligations under the PARC Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PARC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the PC-1 document with respect to the Project shall have been approved by ECNEC.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the PARC Project Agreement has been duly authorized or ratified by PARC, and is legally binding upon PARC in accordance with its terms; and

(b) that the Provinces Project Agreement has been duly authorized or ratified by the Provinces, and is legally binding upon the Provinces in accordance with its terms.

Section 6.03. 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.

Section 6.04. The obligations of the Borrower under the provisions of paragraph (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division 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:

Economic Affairs Division
Islamabad
Pakistan

Cable address: Telex:
ECONOMIC 952-5634
Islamabad

For the Association:

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

Cable address: Telex:
INDEVAS 440098 (ITT),
Washington, D.C. 248423 (RCA) or
 64145 (WUI)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ M. Afzal
 Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ W. Wapenhans
 Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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 for:		60%
(a) PARC	1,471,000	
(b) Punjab	233,000	
(c) Sind	155,000	
(d) NWFP	24,000	
(e) Baluchistan	5,000	
(2) Equipment,		100% of foreign

machinery,
motorcycles,
office furni-
ture and
scientific
books and
journals for:

expenditures~
100% of local
expenditures
(ex-factory
cost) and 60%
of local ex-
penditures for
other items pro-
cured locally

(a) PARC 1,780,000
(b) Punjab 1,780,000
(c) Sind 1,084,000

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(d) NWFP	542,000	
(e) Baluchistan	465,000	
(3) Consultants' services for:		80%
(a) PARC	1,316,000	
(b) Punjab	1,084,000	
(c) Sind	1,006,000	
(d) NWFP	852,000	
(e) Baluchistan	697,000	
(4) Training and collaborative research for:		100%
(a) PARC	8,047,000	
(b) Punjab	2,786,000	
(c) Sind	3,173,000	
(d) NWFP	2,322,000	
(e) Baluchistan	2,167,000	

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Incremental research operating costs for:		
(a) PARC	3,405,000	80% until SDR 1,600,000 equivalent has been disbursed from this Category, 60% thereafter and until SDR

		2,900,000 equivalent has been disbursed from this Category, and 40% thereafter
(b) Punjab	2,554,000	80% until SDR 1,200,000 equivalent has been disbursed from this Category, 60% thereafter and until SDR 2,000,000 equivalent has been disbursed from this Category, and 40% thereafter
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(c) Sind	1,316,000	80% until SDR 600,000 equivalent has been disbursed from this Category, 60% thereafter and until SDR 1,100,000 equivalent has been disbursed from this Category, and 40% thereafter
(d) NWFP	852,000	80% until SDR 500,000 equivalent has been disbursed from this Category, 60% thereafter and until SDR 800,000 equivalent has been disbursed from this Category, and 40% thereafter
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(e) Baluchistan	465,000	80% until SDR 200,000 equivalent has been disbursed from this Category, 60% thereafter and until SDR 400,000 equivalent has been disbursed from this Category, and 40% thereafter

(6) Unallocated for:

(a) PARC	1,935,000
(b) Punjab	1,006,000
(c) Sind	929,000
(d) NWFP	519,000
(e) Baluchistan	430,000

TOTAL	44,400,000

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 research operating costs" means, in respect of a given fiscal year, the costs of office supplies, material, labor, communications, travel and vehicle operation and maintenance required for agricultural research in such fiscal year, less the costs of such items required for such research in FY90.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement;

(b) expenditures by PARC under Categories (1) (a), (2) (a), (4) (a) and (5) (a) exceeding an aggregate amount of SDR 251,000 equivalent, unless and until PARC shall have signed contracts with the consultants required by PARC under the Project and to be employed pursuant to Section II (a) of Schedule 1 to the PARC Project Agreement;

(c) expenditures by Punjab under Categories (1) (b), (2) (b), (4) (b) and (5) (b) exceeding an aggregate amount of SDR 194,000 equivalent, unless and until Punjab shall have signed contracts with the consultants required by Punjab under the Project and to be employed pursuant to Section II of Schedule 1 to the Provinces Project Agreement;

(d) expenditures by Sind under Categories (1) (c), (2) (c), (4) (c) and (5) (c) exceeding an aggregate amount of SDR 155,000 equivalent, unless and until Sind shall have signed contracts with the consultants required by Sind under the Project and to be employed pursuant to Section II of Schedule 1 to the Provinces Project Agreement;

(e) expenditures by NWFP under Categories (1) (d), (2) (d), (4) (d) and (5) (d) exceeding an aggregate amount of SDR 96,700 equivalent, unless and until NWFP shall have signed contracts with the consultants required by NWFP under the Project and to be employed pursuant to Section II of Schedule 1 to the Provinces Project Agreement; and

(f) expenditures by Baluchistan under Categories (1) (e), (2) (e), (4) (e) and (5) (e) exceeding an aggregate amount of SDR 77,000 equivalent, unless and until Baluchistan shall have signed contracts with the consultants required by Baluchistan under the Project and to be employed pursuant to Section II of Schedule 1 to

the Provinces Project Agreement.
SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to consolidate and complement the achievements already made in improving and strengthening agricultural research capabilities at the federal level; (ii) to improve and strengthen agricultural research capabilities at the provincial level; (iii) to support priority agricultural research programs both at the federal and provincial levels; and (iv) to improve and strengthen the linkages between agricultural research and agricultural extension.

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: Strengthening of Agricultural Research Planning.
Administration and Management

1. Reorganization and merger of the Planning Directorate and the Monitoring and Evaluation Cell into a strengthened Planning Directorate within PARC.
2. Establishment of an Agricultural Research Organization in Sind (SARO), an Agricultural Research Board in Punjab (PARB) and an Agricultural Research Board in Baluchistan (BARB).
3. Establishment of a Management Support Unit (MSU) for SARO in Sind, a MSU for AUP in NWFP, three MSUs, one each for PARB, the Director General of Agricultural Research (DGAR) and the Director General of Livestock Research (DGLR), all in Punjab, and a MSU for BARB in Baluchistan.
4. Preparation of Provincial Research Master Plans (PRMPs) for all Provinces.
5. Carrying out of diagnostic surveys of farming systems and practices in various agroecological zones in all Provinces.

Part B: Development of Priority Research Programs

Development and carrying out of:

- (1) national research programs in: (a) horticulture, including, to this end, the reorganization of NARC's horticultural staff into sections for horticulture, biotechnology and post-harvest physiology; (b) livestock; (c) soil sciences, including, to this end, the establishment of a Soil Physics Unit at NARC; (d) integrated pest management, including the establishment of a National Integrated Pest Management Network Coordinator at PARC; (e) social sciences, including, to this end, the strengthening of PARC's Social Science Division, of AERUs in all Provinces (including the establishment of a new AERU in Azad Jammu and Kashmir (AJK)), of AUF's Faculty of Agricultural Economics and Rural Sociology, and of SAU's Faculty of Agricultural Social Sciences; and (f) other fields as identified in NARP and approved by the Association;
- (2) provincial research programs in: (a) horticulture; (b) livestock; (c) soil sciences, including, to this end, the establishment of soil physics units at Agricultural Research Institutes (ARIs) in all Provinces; (d) integrated pest management; and (e) other fields to be identified in PRMPs and approved by the Association; and
- (3) nationally coordinated research programs in (a) livestock; and (b) soil sciences.

Part C: Expansion of Research Facilities

1. Construction of a crop sciences building, a community center and a road link with the new livestock farm center, all at NARC in Islamabad.

2. Construction and provisioning of research facilities and housing: (a) for ARINA's new research station at Jaglot in the Federally Administered Northern Areas (FANA), directed towards research on such subjects as land and soil management, horticulture, crops, livestock and fisheries; and (b) at PARC's research station at Kaghan in NWFP, directed towards cereal breeding and developing research programs for the neighboring farming communities.

Part D: Training and Collaborative Research

Provision of:

- (1) local and overseas long-term training leading up to the MSc and PhD degrees; and
- (2) local and overseas short-term training, including postdoctoral studies, refresher courses, collaborative research work and in-service training.

* * * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (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, in respect of PARC, an amount equivalent to \$1,300,000 to be withdrawn from the Credit Account and deposited into the PARC Special Account; in respect of Punjab, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Punjab Special Account; in respect of Sind, an amount equivalent to \$800,000 to be withdrawn from the Credit Account and deposited into the Sind Special Account; in respect of NWFP, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the NWFP Special Account; and in respect of Baluchistan, an amount equivalent to \$400,000 to be withdrawn from the Credit Account and deposited into the Baluchistan Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, PARC or the concerned Province, as the case may be, shall furnish to the Association a request or requests for a deposit or deposits 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 PARC or the concerned Province, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as PARC or the concerned Province, as the case may be, shall have requested.

- (b) (i) For replenishment of the Special Account, PARC or the concerned Province, as the case may be, 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, PARC or the concerned Province, as the case may be, 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 PARC or the concerned Province, as the case may be, withdraw from the Credit Account and deposit into the Special Account such amount as PARC or the concerned Province, as the case may be, 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 PARC or the concerned Province, as the case may be, out of a Special Account, PARC or the concerned Province, as the case may be, 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by PARC or the concerned Province, as the case may be, 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the parts of the Project for which PARC or the concerned Province, as the case may be, is responsible, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to such parts of the Project, shall equal the equivalent of twice the amount of the relevant Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for such parts of the Project shall follow such procedures as the Association shall specify by notice to PARC or the concerned Province, as the case may be. 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 such 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 a 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, PARC or the concerned Province, as the case may be, 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 PARC or the concerned Province, as the case may be, 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 a Special Account will not be required to cover further payments for eligible expenditures, PARC or the concerned Province, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) PARC or the concerned Province, as the case may be, may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a 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.

