

CONFORMED COPY

CREDIT NUMBER 2741 ET

Development Credit Agreement

(Seed Systems Development Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 29, 1995

CREDIT NUMBER 2741 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 29, 1995, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Borrower's Council of Ministers having adopted on October 21, 1992, the Borrower's National Seed Industry Policy (NSIP) describing a program of actions, objectives and policies designed to develop a broad-based and competitive national seed industry (hereinafter called the Program);

(B) the Borrower, having committed itself to the execution of the Program, and as part of the Program having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) Parts A.3, A.4, A.5, A.6, A.7, B.6 and B.8 of the Project will be carried out by Ethiopian Seed Enterprise (ESE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ESE a portion of the proceeds of the Credit 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 and

in the Project Agreement of even date herewith between the Association and ESE; and

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

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ESE pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(c) "MOA" means the Borrower's Ministry of Agriculture;

(d) "NSIC" means the National Seed Industry Council established pursuant to the Borrower's Proclamation No.56/1993, dated July 16, 1993;

(e) "NSIA" means the National Seed Industry Agency, established pursuant to the Borrower's Proclamation No.56/1993 dated July 16, 1993;

(f) "ESE" means the Ethiopian Seed Enterprise established pursuant to the Borrower's Regulation No.154/1993 dated November 19, 1993;

(g) "IAR" means the Institute of Agricultural Research;

(h) "AUA" means the Alemaya University of Agriculture;

(i) "ESA" means the Ethiopian Standards Authority;

(j) "Regional Bureaus of Agriculture" means the departments responsible for agriculture in each of the Borrower's Regional Governments;

(k) "NVRC" means the National Variety Release Committee under NSIA;

(l) "Project Year" means each period of twelve months, beginning from the Effective Date and ending twelve months thereafter;

(m) "Project Implementation Plan" means the plan described in the Borrower's letter of February 3, 1995;

(n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 27, 1989 and March 1, 1991 between the Borrower and the Association; and

(o) "Project Agreement" means the agreement between the Association and ESE, 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 Project Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million two hundred thousand Special Drawing Rights (SDR 15,200,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in US dollars two special deposit accounts (Special Account "A" for Parts A.1, A.2, A.8, B.1, B.2, B.3, B.4 B.5, B.7, B.9, B.10, B.11, and B.12 of the Project, and Special Account "B" for Parts A.3, A.4, A.5, A.6, A.7, B.6 and B.8 of the Project) in a commercial bank acceptable to the Association and on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement; and

(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 cancelled.

Section 2.03. The Closing Date shall be December 31, 2000 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 (60) 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 or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement; and

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

Section 2.05. The Borrower shall pay to the Association a

service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 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 semiannual installments payable on each February 15 and August 15 commencing August 15, 2005 and ending February 15, 2035. Each installment to and including the installment payable on February 15, 2015 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 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 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; and

(c) 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.

Section 2.09. ESE is designated as representative of the Borrower in respect of Parts A.3, A.4, A.5, A.6, A.7, B.6 and B.8 of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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.1, A.2, A.8, B.1, B.2, B.3, B.4, B.5, B.7, B.9, B.10, B.11 and B.12 of the Project, through NSIA, with due diligence and efficiency and in conformity with appropriate administrative, agricultural, environmental, and financial practices and shall provide, promptly as needed, the funds,

facilities, services and other resources required for such Parts of the Project; and

- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ESE to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action necessary or appropriate to enable ESE 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, or cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement;

(c) The Borrower shall relent a portion of the proceeds of the Credit to ESE under a subsidiary loan agreement to be entered into between the Borrower and ESE, under terms and conditions which shall have been approved by the Association and which shall include, inter alia, an interest rate of fourteen (14) percent per annum, a repayment period of ten years, and provisions requiring ESE to bear the foreign exchange risk; and

(d) The Borrower shall exercise its rights under the Subsidiary Loan 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 Loan 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. The Borrower and the Association hereby agree that 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 Parts A.3, A.4, A.5, A.6, A.7, B.6 and B.8 of the Project shall be carried out by ESE pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall: (a) not later than six months after the Effective Date, design, and thereafter, implement mechanisms satisfactory to the Association to encourage the private sector to: (i) produce and distribute improved seed, and (ii) engage in plant breeding; and (b) ensure that: (i) the private sector shall be represented, in a manner acceptable to the Association, in all committees to be established for the implementation and coordination of the Project, and (ii) private sector operators have unhindered access to breeder seeds of publicly-bred varieties and to basic seeds from ESE, and are allowed to import seed for use in the development of new varieties and in the production of seed, in accordance with the Program.

Section 3.05. The Borrower shall: (a) provide sufficient and timely budgetary and staffing support to enable NSIA to carry out its responsibilities in the implementation of the Project; (b) by not later than the start of the 1995 crop season, eliminate all price subsidies on seed; and (c)

establish, not later than September 30, 1996, enforcement mechanisms, satisfactory to the Association, for seed quality control and seed certification.

Section 3.06. The Borrower shall: (a) not later than June 30, 1996 establish inspection and detection procedures, satisfactory to the Association, for the effective application of its plant quarantine system; and (b) thereafter implement said procedures with due diligence and efficiency.

Section 3.07. The Borrower shall: (a) prior to the end of the first Project Year, publish NVRC's first annual seed/variety register, listing varieties in production and those withdrawn from production; and (b) thereafter, ensure that said seed/variety register is updated and published each year.

Section 3.08. (a) Not later than six months after the end of the second Project Year, the Borrower, through NSIA, shall conduct, jointly with the Association and ESE, a comprehensive review of the implementation of the Project. Without limitation upon the generality of the foregoing the review shall cover, inter alia, the implementation and management aspects of the Project, implementation procedures, progress made in carrying out the Project including the performance and use of technical assistance personnel, the role of national counterpart staff, the status and results of training, reporting, accounting and audit performance, disbursement procedures and the overall sustainability of the Project;

(b) Not later than three months prior to such review, the Borrower, through NSIA, shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, including an assessment of the progress achieved in carrying out the various parts of the Project; and

(c) Promptly after said review, the Borrower, through NSIA, shall: (i) prepare an action plan satisfactory to the Association based on the recommendations stemming of said review, and (ii) adopt and implement said plan for the remainder of the Project period.

Section 3.09. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare and furnish to the Association not later than six (6) months after the Closing Date or such other date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of 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, accounts and the audit thereof as the Association shall from time to time reasonably request; and
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

- (a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) ESE shall have failed to perform any of its obligations under the Project Agreement;
- (c) 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 ESE will be able to perform its obligations under the Project Agreement;

(d) The Council of Ministers' Regulation No. 154/1993 of November 19, 1993 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ESE to perform any of its obligations under the Project Agreement; and

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ESE 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) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (d) or (e) 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 the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

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

(b) NSIA has: (i) filled PCMU's positions listed in paragraph 1 of Schedule 4 to this Agreement, with staff whose qualifications, experience, and terms and conditions of employment shall be acceptable to the Association, (ii) furnished to the Association for review and comments its annual work program for 1995/96, including procurement, technical assistance and training programs, and (iii) finalized standard bidding documents acceptable to the Association for procurement under the Project;

(c) ESE has furnished to the Association: (i) an action plan acceptable to the Association for the restructuring of its operations and management, including key monitoring indicators for its implementation, and (ii) its annual business plan for 1995, acceptable to the Association; and

(d) The Borrower has furnished to the Association evidence satisfactory to the Association showing that an accounting system, acceptable to the Association, is in place.

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 Project Agreement has been duly authorized or ratified by ESE, and is legally binding upon ESE in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ESE and is legally binding upon the Borrower and ESE 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.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 1905
Addis Ababa
Federal Democratic Republic of Ethiopia

Telex:

21147

For the Association:

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

Cable address:

Telex:

INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Berhane Gebre-Christos
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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) Works:		
(a) under Parts A.5 and A.6 of the Project	120,000	50%
(b) under Part A.4 of the Project	360,000	50%
(c) under other Parts of the Project	480,000	60%
(2) Goods:		
(a) Equipment:		100% of foreign expenditures, and 85% of local expenditures
(i) under Parts A.5 and A.6 of the Project	1,130,000	
(ii) under Part A.4 of the Project	660,000	
(iii) under other Parts of the Project	2,620,000	
(b) Vehicles:		100% of foreign expenditures, and 85% of local expenditures
(i) under Parts A.3, A.4, A.5 and A.7 of the Project	1,040,000	
(ii) under other Parts of the Project	480,000	
(c) Seeds under Part B.5 of the Project	1,860,000	90%
(3) Training		100%
(a) under Parts A.3, A.5, B.6 and B.8 of the Project	140,000	
(b) under other Parts of the Project	900,000	
(4) Technical Assistance:		100%
(a) under Part B.6		

	of the Project	70,000	
(b)	under other Parts of the Project	620,000	
(5)	Studies:		100%
(a)	under Part A.4 of the Project	70,000	
(b)	under other Parts of the Project	690,000	
(6)	Operating Costs	2,140,000	90% of payments made in PY1 and PY2, and 50% of payments made in PY3, PY4 and PY5
(7)	Refunding of Project Preparation Advance	550,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8)	Unallocated	1,260,000	
	TOTAL	15,200,000	=====

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 for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "operating costs" means expenditures incremental on account of the Project for office supplies, expenses for travel, salaries of local staff employed on a contractual basis, rental, operation and maintenance of vehicles and equipment, utilities, and rental and maintenance of office; and

(d) the terms "PY1", "PY2", "PY3", "PY4", and "PY5" mean the first Project Year, the second Project Year, the third Project Year, the fourth Project Year, and the fifth Project Year, respectively.

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; (b) expenditures under Categories (1) (b), and (2) (a) (ii), unless the Borrower has furnished to the Association detailed technical specifications and cost estimates, acceptable to the Association, for the implementation of Part A.4 of the Project; and (c) expenditures under Category (2) (c), unless the Borrower has furnished to the Association a comprehensive action plan, satisfactory to the Association, for the implementation of Part B.5 of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding \$100,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to help increase the Borrower's agricultural production through the development of a broad-based and competitive seed industry.

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

Part A: Seed Enterprise Development

1. Implementation of a secondary seed multiplication scheme to strengthen the Borrower's informal seed exchange system including: (a) training of farmers in selected locations in improved seed production and cleaning and preservation technology; and (b) acquisition by farmers of basic equipment and materials.
2. Strengthening of the Borrower's seed extension system through: (a) training of extension agents and subject matters specialists; (b) improving the mobility of extension staff through acquisition of bicycles and mules; and (c) strengthening of management and service delivery, through provision of equipment, vehicles, materials and technical assistance.
3. Restructuring and strengthening of ESE's organization, management and operations including: (a) upgrading of operational and management capacity of regional units through training; (b) diversification of its seed programs to include hybrid and vegetable seed production and marketing; (c) developing brand names for marketing of seeds; and (d) seed production through contracts with private farmers and cooperatives, and seed marketing through private traders and cooperatives.
4. Establishment and operation of a basic seed farm in the northern part of the Borrower's territory to produce basic seeds.
5. Rehabilitation and improvement of ESE's seed processing infrastructure, including: (a) installation of a seed processing plant in Bahir Dar; (b) provision of one mobile seed cleaner to ensure seed supply in the northern part of the Borrower's territory; and (c) training of ESE's staff in seed processing, packaging and labeling.
6. Improving seed quality control through: (a) upgrading of the ESE's headquarter seed testing laboratory; and (b) setting up of five regional mini-seed testing laboratories.
7. Provision of vehicles to support ESE's marketing activities.
8. Promotion of private sector participation in production, processing, and marketing of seeds through: (a) assistance to private producer-sellers (seedsmen) in the preparation of feasibility studies and business plans for seed production and commercialization projects; and (b) provision of advisory support to small and medium enterprises to engage in production, multiplication, processing and distribution of hybrids, improved open pollinated seed varieties and seeds of

specialty, and high value crops.

Part B: Capacity Building

1. Strengthening of the Borrower's departments, committees, and agencies involved in the seed sector, including NSIA, NVRC, PQS, and PGRC through training, acquisition of equipment, materials, vehicles and technical advisory services.
2. Construction of storage and drying rooms at the PGRC's headquarters.
3. Upgrading of: (a) AUA's breeder seed stations located at Alemaya and Debre Zeit, and (b) IAR's breeder seed units located at Holetta, Melkassa, Bako, Awassa, Kulumsa, Adet and Melka Werer.
4. Establishment of a national quality control and seed certification system, including establishment and operation of an independent national seed testing laboratory under NSIA.
5. Establishment of a strategic reserve of all varieties of seeds to enhance the Borrower's capacity to cope with emergency situations.
6. Provision of technical expertise to assist in the preparation of specifications of equipment and machinery for rehabilitation of seed processing facilities.
7. Provision of technical assistance to assist in the selection of seed processing equipment adapted to the needs of the private sector;
8. Training of ESE's staff in: (i) repair, operation and maintenance of seed processing and storage facilities, and (ii) seed processing, packaging, and storage operations.
9. Development of streamlined supervision, procurement, disbursement and reporting procedures and systems to assist NSIA in the implementation of the Project.
10. Training of seed farmers, traders and enterprises, in: (a) market promotion; and (b) operation, management, and maintenance of seed processing plants.
11. Strengthening of AUA's undergraduate programs in crop science and seed technology through, inter alia, enhancement of skills of teaching and research staff.
12. Training abroad of AUA's faculty members in specialized disciplines of seed technology.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject

to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D.1(a) of this Section, the Association's prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period; and

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Ethiopia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Association.

2. Items, or groups of items, of: (a) seeds and grains required under Part B.5 of the Project, up to an aggregate amount not to exceed the equivalent of \$2,900,000; and (b) equipment and vehicles estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$2,900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Association.

3. Items, or groups of items, of: (a) office supplies, and consumable for laboratories up to an aggregate amount not to exceed the equivalent of \$200,000; and (b) transport animals provided under Part A.2 (b) of the Project, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Contracts for proprietary equipment required for Part A.5 of the Project, may be awarded after direct negotiations with suppliers in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the

procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract;

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement; and

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower and ESE in carrying out the Project the Borrower and ESE shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower and ESE shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower and ESE shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of critical nature, as reasonably determined by the Association; (d) amendments to contracts for employment of consulting firms raising the amounts of the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. Under the supervision of the National Seed Industry Council (NSIC), the National Seed Industry Agency (NSIA) will

be responsible for the coordination of the implementation of the Project. NSIA shall establish, and maintain until the completion of the Project, a Project Coordination and Monitoring Unit (PCMU), headed by a Project Coordinator, and with staff whose qualifications shall at all times be satisfactory to the Association, including a Project accountant/disbursement officer, a management information and reporting officer, two operations officers, a secondary seed multiplication scheme specialist, a procurement officer, a training specialist, and a business specialist.

2. The Borrower, through NSIA, shall conduct, jointly with ESE, a quarterly review of the implementation of the Project, and thereafter promptly take all measures necessary on its part to remedy any shortcoming identified during said review.

3. The Borrower, through NSIC and NSIA, shall: (a) adopt and apply criteria acceptable to the Association for the selection of private sector operators to be assisted under Part A.8 of the Project; and (b) establish and maintain a Project Implementation Committee (PIC) which shall have an advisory role to PCMU, and shall comprise, inter alia, representatives of private sector seed producers and traders.

4. Promptly after the Effective Date, the Borrower, through NSIA, shall organize, jointly with Association and ESE, a workshop for the launching of the Project implementation which shall cover, inter alia, disbursement and procurement procedures for the Project.

5. The Borrower, through NSIA, shall furnish to the Association quarterly reports, in such detail and of such scope as the Association may reasonably request, on the implementation of all components of the Project.

6. Not later than two months before the end of each Project Year, the Borrower, through NSIA, shall: (a) organize a workshop with the participation of regional agricultural research and extension offices, ESE, private sector seed producers and traders, and farmers, to review progress achieved in the implementation of the Project during the concerned Project Year; (b) based on the recommendations of said workshop, prepare and furnish to the Association, before the start of the following Project Year, a work plan, acceptable to the Association, for implementation of the Project during the following Project Year, including, inter alia, a procurement plan, a staff deployment plan, details of consultants' services and technical assistance requirements, detailed training programs, and quarterly expenditure projections; and (c) thereafter, implement said work plan, taking into account the Association's comments thereon.

7. The Borrower shall ensure that the Project implementation is carried out in accordance with the Project Implementation Plan, subject to such modifications as may be agreed upon between the Borrower and the Association from time to time.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means:

- (i) for the Special Account "A", Categories (1) (c), (2) (a) (iii), (2) (b) (ii), (2) (c), (3) (b), (4) (b), (5) (b), and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and
- (ii) for the Special Account "B", Categories (1)

(a), (1) (b), (2) (a) (i), (2) (a) (ii), (2) (b) (i), (3) (a), (4) (a), and (5) (a) 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 either of the Special Accounts, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited for either of the Special Accounts to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000.

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 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 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 the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested; and

(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; and

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

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association

shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

(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.

