

CONFORMED COPY

CREDIT NUMBER 1867 SU

(Southern Kordofan Agricultural Development Project)

between

THE REPUBLIC OF SUDAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 4, 1988

CREDIT NUMBER 1867 SU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 4, 1988, between THE REPUBLIC OF SUDAN (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 Borrower intends to contract from the African Development Bank (AfDB) a loan (the AfDB Loan) in an amount equivalent to sixteen million eight hundred and fifty thousand Units of Account (UA 16,850,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the AfDB Loan Agreement) to be entered into between the Borrower and AfDB;

(C) Part G of the Project will be carried out by the Agricultural Bank of Sudan (ABS) and Part H of the Project by the Agricultural Machinery Services Corporation (AMS) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ABS and AMS, respectively, part of

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 and in the Project Agreements of even date herewith between the Association and ABS and AMS, respectively;

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) "ABS Project Agreement" means the agreement between the Association and ABS 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 ABS Project Agreement;

(b) "AMS Project Agreement" means the agreement between the Association and AMS 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 AMS Project Agreement;

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

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

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

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 22, 1987 and December 11, 1987 between the Borrower and the Association;

(g) "Project Area" means the Southern Kordofan Province; and

(h) "Sudanese Pounds" and "LS" mean the currency of the Borrower.

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 Special Drawing Rights (SDR 15,000,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special account in the Bank of Sudan or a commercial bank authorized by the Bank of Sudan 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 1994, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 June 15 and December 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 semi-annual installments payable on each June 15 and December 15 commencing June 15, 1998, and ending December 15, 2027. Each installment to and including the installment payable on December 15, 2007, 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.

(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.

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 through F of the Project with due diligence and efficiency and in conformity with appropriate agricultural, engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A through F of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause ABS and AMS to perform in accordance with the provisions of the respective Project Agreements all the obligations of ABS and AMS, respectively, 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 ABS and AMS, respectively, 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 through F of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall: (i) relend, out of the proceeds of the Credit, an amount not exceeding the equivalent of SDR 2,120,000 to ABS under a subsidiary loan agreement to be entered into between the Borrower and ABS, under terms and conditions which shall have been approved by the Association and which shall include charges at the rate of thirteen percent (13%) per annum, repayment over twenty (20) years, including five (5) years of grace, and the foreign exchange risk to be borne by the Borrower; and (ii) make available out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 510,000 to AMS on a grant basis and relend, out of the proceeds of the Credit, an amount not exceeding the equivalent of SDR 830,000 to AMS under a subsidiary loan agreement to be entered into between the Borrower and AMS, under terms and conditions which shall have been approved by the Association and which shall include charges at the rate of nineteen percent (19%) per annum, repayment over twenty (20) years, including five (5) years of grace, and the foreign exchange risk to be borne by the Borrower.

(d) The Borrower shall exercise its rights under the ABS and AMS Subsidiary Loan Agreements 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 ABS and AMS Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree:

(a) procurement of the goods, works and consultants' services required for Parts A through E of 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;

(b) procurement of the goods required for Part G of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule to the ABS Project Agreement; and

(c) procurement of the goods, works and consultants' services required for Part H of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule to the AMS Project Agreement.

Section 3.03. Without any limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open, not later than April 15, 1988, and thereafter maintain in a commercial bank an account in the name of PMU on terms and conditions satisfactory to the Association to be used exclusively for the purpose of meeting expenditures under the Project not financed out of the proceeds of the Credit; and

(b) in addition to an initial deposit of 400,000 Sudanese Pounds at the time of the opening of said account, make deposits in said account so as to maintain the account at a level of at least 200,000 Sudanese Pounds.

Section 3.04. 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 Part G of the Project by ABS pursuant to Section 2.03 of the ABS Project Agreement and in respect of Part H of the Project by AMS pursuant to Section 2.03 of the AMS Project Agreement.

Section 3.05. The Borrower shall:

(a) prepare and furnish to the Association, not later than June 30, 1991, the study reviewing AMS' operations and possible options for the participating of the private sector in AMS' operations; and

(b) exchange views with the Association on the recommendations of said study and a timetable for their implementation.

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 Parts A through F of 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, the account referred to in Section 3.03 of this Agreement and the separate accounts to be established by the implementing

entities pursuant to the Implementation Program set forth in Schedule 4 to this Agreement 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.

(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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section, and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) ABS or AMS shall have failed to perform any of its obligations under the respective Project Agreements.

(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 ABS or AMS will be able to perform its obligations under the respective Project Agreements.

(c) The Borrower's Agricultural Bank of Sudan Act, 1957, shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely, the ability of ABS to perform any of its obligations under the ABS Project Agreement.

(d) The Borrower's Act No. 379 of 1987 establishing AMS shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AMS to perform any of its obligations under the AMS Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ABS or AMS or for the suspension of their operations.

(f) (i) Subject to subparagraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of the AfDB Loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the AfDB Loan Agreement; or
- (B) the AfDB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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;

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

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

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 ABS Subsidiary Loan Agreement has been executed on behalf of the Borrower and ABS;

(b) the AMS Subsidiary Loan Agreement has been executed on behalf of the Borrower and AMS;

(c) all conditions precedent to the AfDB Loan Agreement (other than the effectiveness of this Agreement) have been fulfilled; and

(d) the Borrower has appointed a financial controller of PMU acceptable to the Association.

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 ABS and AMS Project Agreements have been duly authorized or ratified by ABS and AMS, respectively, and are legally binding upon ABS and AMS, respectively, in accordance with their terms; and

(b) that the ABS and AMS Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and ABS and AMS, respectively, and are legally binding upon the Borrower and ABS and AMS, respectively, in accordance with their 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Planning 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 and Economic Planning
P.O. Box 2092
Khartoum
The Republic of Sudan

Cable address:

EIMAR
Khartoum

Telex:

22324

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
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.

THE REPUBLIC OF SUDAN

By /s/ Salah Ahmed
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caio Koch-Weser
Acting 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	2,270,000	90%
(2) Machinery and equipment	3,410,000	100% of foreign expenditures and 80% of local expenditures
(3) Vehicles, spare parts therefor and draft animals	1,670,000	100% of foreign expenditures and 80% of local expenditures
(4) Veterinary drugs	1,670,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(5) Farm inputs	230,000	100% up to an aggregate amount of SDR 60,000 and thereafter 15%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Consultants' services	1,290,000	100%
(7) Training and studies	760,000	100% of foreign expenditures and 80% of local expenditures
(8) Operating expenses	1,440,000	80% up to an aggregate amount of SDR 610,000 and thereafter 45%
(9) Refunding of	830,000	Amount due pur-

Project Prep-
ration Advance

suant to Section
2.02 of this
Agreement

(10) Unallocated	1,430,000
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TOTAL	15,000,000

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 "operating expenses" means operation and maintenance of buildings, vehicles and equipment, allowances for housing and travel, and expenditures for office operation.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to establish a sound institutional framework for agricultural development in Southern Kordofan; and (ii) to improve the standard of living of smallholder farmers and livestock owners in this region.

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: Agricultural Services

1. Strengthening of the Provincial Extension Service through the construction of housing and office facilities, the acquisition of vehicles, equipment and fertilizer and the provision of training and consultants' services.
2. Development of a comprehensive extension package and integration of all extension services under the Provincial Extension Service.
3. Support of the Provincial Plant Protection Directorate through the acquisition of pesticides, sprayers, radios, camping equipment, the rehabilitation of storage facilities and the provision of training.

Part B: Farm Inputs

1. Improvement of seed production through the acquisition of processing and packaging equipment, foundation seed and incremental certified seeds, the construction of houses and acquisition of vehicles for staff of the National Seed Administration.
2. Increased production of horticultural seedlings through the rehabilitation of the three horticultural nurseries at Kadugli, Umm Berembeita and Abu Gubeiha and the acquisition of equipment and supplies.

Part C: Livestock Health

1. Strengthening of the Veterinary Services Administration in the Project Area through the acquisition of vehicles, field veterinary equipment, drugs and vaccines.
2. Support of the veterinary laboratories at El Obeid and Shoba through the acquisition of laboratory equipment, vaccine bottles and bottle printing equipment, and the provision of training.

Part D: Road Infrastructure

1. Improvement of the feeder road network in the Project Area and the acquisition of machinery and equipment therefor.
2. Establishment and operation of a road maintenance unit in the Regional Public Works Department, including the provision of training and consultants' services.

Part E: Project Administration and Monitoring

1. Strengthening of the Project implementing agencies through the provision of training and consultants' services.
2. Preparation of a land use plan based on environmental and economic criteria.

Part F: Water Supply

1. Rehabilitation of about 133 wateryards and 90 haffirs.
2. Development and operation of a systematic wateryard maintenance program, including the acquisition of vehicles, equipment and spare parts and the provision of training and consultants' services.

Part G: Agricultural Machinery

Provision of credit to farmers for the purchase of agricultural machinery.

Part H: Agricultural Machinery Services Corporation

1. Support of AMS through the rehabilitation and expansion of workshops, the reconditioning of equipment, the acquisition of spare parts and the provision of training and consultants' services.
2. Studies on the reorganization and the future status of AMS.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Sudan 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. Items or groups of items estimated to cost the equivalent of \$50,000 or more per contract, up to an aggregate amount not to exceed the equivalent of \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory 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 civil works estimated to cost the equivalent of \$300,000 or more and for goods estimated to cost the equivalent of \$150,000 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.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts A through E of the Project, the Borrower 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.

SCHEDULE 4

Implementation Program

Project Coordination

1. The Borrower shall discharge its responsibility for overall Project coordination through PMU. PMU's functions shall, in particular, include to monitor, evaluate and provide feedback on Project implementation progress, to provide supervision, support and assistance to the various corporations and agencies involved in carrying out the Project, particularly in financial management, cost recovery and procurement, to control and account for, the disbursement of Project-related funds, to oversee the training and technical assistance aspects of the Project, to manage the carrying out of the studies under the Project, to generate and sustain commitments to the objectives of the Project by the central and regional authorities, and to coordinate with other entities responsible for the implementation of other projects in the Project Area.

2. To carry out these functions, PMU shall be assisted by:

(a) an Advisory Committee to be established not later than May 31, 1988. The Advisory Committee shall be headed by the PMU Director and consist of representatives of the regional government, the Western Sudan Agricultural Research Project in Kadugli, the Project beneficiaries, the Nuba Mountains Agricultural Corporation, the Nuba Mountains Rural Development Project, the AMS and the National Water Corporation in Kadugli; its main function shall be to coordinate Project activities with other on-going development efforts in the Project Area; and

(b) a Steering Committee to be established not later than May 31, 1988. The Steering Committee shall be headed by the Undersecretary of the Ministry of Agriculture and Natural Resources and shall consist of representatives of the Ministry of Finance and Economic Planning, the Ministry of Animal Resources, ABS, the National Water Corporation, the Western Sudan Agricultural Research Project, the Roads and Bridges Public Corporation and the PMU Director; its functions shall be to ensure consistency between the Project activities and the national development objectives and to generate support for the Project.

Annual Work Programs

3. For each year of Project implementation, PMU shall prepare an annual work program containing information on the following aspects:

(a) an evaluation of the previous year's performance relative to the objectives set for that year;

(b) detailed objectives and targets for the following year;

(c) a description of the activities to achieve such objectives, their expected output and relevant time frame;

(d) significant constraints and risks;

- (e) detailed investment and operating budgets;
- (f) staffing and training plans; and
- (g) a financing and procurement plan.

4. PMU shall submit this consolidated annual work program for each fiscal year not later than March 1 of each year to the Borrower's Ministry of Agriculture and Natural Resources for its approval and consideration in the preparation of the budget for the following year. Following its approval, the Borrower shall submit the annual work program not later than July 31 of each year to the Association for its review.

5. In order to enable PMU to prepare said annual work programs, each entity involved in carrying out Parts of the Project shall prepare and submit to PMU not later than December 31 of each year an annual work program covering the items referred to in paragraph 3 above as they apply to the respective entity and the Part of the Project for which such entity is responsible.

Part A of the Project

6. The Borrower's Ministry of Agriculture and Natural Resources shall be responsible for the carrying out of Part A of the Project. Before any pesticide purchases are undertaken under Part A of the Project, the Borrower shall consult with the Association on the environmental aspects thereof.

7. In order to improve the extension service provided in the Project Area, the Borrower shall ensure that the Provincial Extension Service is adequately staffed, that the director is in post not later than April 15, 1988, and that the field facilities of the Nuba Mountains Agricultural Corporation relating to extension services are transferred to the Provincial Extension Service not later than April 15, 1988.

8. The Provincial Extension Service shall prepare and submit to PMU annual work programs for its activities under Part A of the Project in accordance with the provisions set forth in paragraph 5 above.

9. The Provincial Extension Service shall charge farmers full costs for the fertilizer and other farm inputs to be sold to farmers as part of the extension service. The proceeds of these sales shall be deposited in a separate account to be maintained by the Provincial Extension Service in a commercial bank in Kadugli. Such account shall be used to finance relevant Project activities in accordance with the annual work programs.

10. The Provincial Plant Protection Directorate shall gradually raise its charges for services rendered to farmers under Part A.3 of the Project so that, in the third year of Project implementation, it achieves full cost recovery. The proceeds shall be deposited in a separate account to be maintained by the Plant Protection Directorate in a commercial bank in Kadugli. Such account shall be used to finance relevant Project activities in accordance with the annual work programs to be prepared and submitted by the Plant Protection Directorate pursuant to paragraph 5 above.

Part B of the Project

11. The Borrower's Ministry of Agriculture and Natural Resources shall be responsible for carrying out Part B of the Project.

12. The National Seed Administration and the Provincial Department of Horticulture shall prepare and submit to PMU annual work programs pursuant to paragraph 5 above.

13. Improved crop seeds shall be bought by the National Seeds Administration from contract growers at, at least, one hundred

twenty-five percent (125%) of the current market prices of traditional crop seeds and be sold to farmers at full cost. Tree seedlings shall be sold by the Provincial Department of Horticulture to farmers at full cost.

14. The proceeds of these sales shall be deposited in separate accounts to be maintained by these agencies at a commercial bank in Kadugli; the accounts shall be used to finance relevant Project activities in accordance with the annual work programs.

Part C of the Project

15. The Borrower's Ministry of Animal Resources shall be responsible for carrying out Part C of the Project.

16. The Provincial Veterinary Services Administration shall sell livestock drugs and vaccines to farmers at full cost and deposit the proceeds of such sales in a separate account to be maintained at a commercial bank in Kadugli. The account shall be used to finance relevant Project activities in accordance with the annual work programs to be prepared and submitted by the Veterinary Services Administration pursuant to paragraph 5 above.

Part D of the Project

17. The Roads and Bridges Public Corporation shall be responsible for the carrying out of Part D of the Project, including the preparation and submission of annual work programs pursuant to paragraph 5 above.

Part E of the Project

18. In addition to the Project coordination functions referred to in paragraph 1 above, PMU shall be responsible for:

(a) the preparation by April 15, 1988, of a comprehensive training program for the first year of Project implementation involving all relevant entities; and

(b) the organization of the mid-term review to be carried out not later than October 31, 1991, by the Borrower's Ministry of Agriculture and Natural Resources, the entities involved in the Project and the Association.

19. With respect to the study under Part E.2 of the Project, PMU shall be responsible for the preparation of said study, including the coordination of the inputs from the various entities concerned with land use and environmental issues.

Part F of the Project

20. The National Water Corporation shall be responsible for the carrying out of Part F of the Project, including the preparation and submission of annual work programs pursuant to paragraph 5 above.

21. The National Water Corporation shall prepare, not later than March 31, 1989, a plan for the revision of the water charges, acceptable to the Association, so as to achieve by March 31, 1991, a coverage of its operating costs and by September 30, 1993, full cost recovery, and shall increase its water charges in accordance with such plan.

22. The National Water Corporation shall deposit the proceeds of its water sales in accounts to be maintained in commercial banks in Kadugli and Babanussa. Such accounts shall be used by the National Water Corporation to finance specific activities related to servicing the wateryards in accordance with its annual work programs.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 760,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association prior to, or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

