

CONFORMED COPY

CREDIT NUMBER 2899 TA

Agreement Providing for Amendment and Restatement
of Development Credit Agreement

(National Agriculture Extension Project - Phase II)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 15, 2000

CREDIT NUMBER 2899 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 15, 2000, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower and the Association have agreed to amend the Development Credit Agreement between the Borrower and the Association dated August 9, 1996 (hereinafter called the Development Credit Agreement) in the manner hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE 1

Section 1.01. The Development Credit Agreement is hereby amended and restated in its entirety so as to read as set forth in the Annex hereto.

Section 1.02. This Agreement shall become effective upon signature by both parties.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in Dar es Salaam, Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Daniel Yona

Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James W. Adams

Country Director for Tanzania
Africa Region

ANNEX
To Agreement providing for
Amendment and Restatement
of Development Credit
Agreement dated August 9,
1996

CREDIT NUMBER 2899 TA

Amended and Restated Development Credit Agreement

(National Agriculture Extension Project - Phase II)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 1996

As amended and restated on May 15, 2000

CREDIT NUMBER 2899 TA

AGREEMENT PROVIDING FOR AMENDMENT AND RESTATEMENT OF
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 9, 1996, as amended on May 15, 2000, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Association has received a letter, dated March 4, 1996, from the Borrower, describing a program of actions, objectives, and policies, designed to achieve adjustments in the Borrower's national extension program (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

WHEREAS (B) 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; 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereto set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted; and
- (b) the second sentence of Section 5.01 is modified to read:

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

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) "LAMT" means the Local Authority Management Team referred to in paragraph 4 of Schedule 4 to this Agreement;
- (b) "Financial Management Manual" means the manual to be adopted by MAC and MALNR (as hereinafter defined), setting out the rules and regulations regarding the maintenance of accounts and procedures for incurring expenditures under the Project;
- (c) "Grant Agreement" means an agreement, satisfactory to the Association, to be entered into between the Borrower and each recipient of a grant for the purpose of financing a pilot activity under Part D of the Project;
- (d) "M & E" means Monitoring and Evaluation;
- (e) "MAC" means the Borrower's Ministry of Agriculture and Cooperatives;
- (f) "MOF" means the Borrower's Ministry of Finance;
- (g) "NGO" means a nongovernmental organization within the Borrower's territory;

(h) "Pilot Subproject" means an extension activity under Part D of the Project which complies with the criteria specified in Schedule 4 to this Agreement;

(i) "MRALG" means the Borrower's Ministry of Regional Administration and Local Government;

(j) "PSC" means the Project Steering Committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(k) "Project Account" means the account referred to in Section 3.04 of this Agreement;

(l) "Project Implementation Plan" means the plan referred to in Section 6.01 (a) of this Agreement, describing the procedures, performance indicators, and other arrangements for the purpose of implementing the Project;

(m) "Recipients" means NGOs, any member of the private sector, a cooperative or a farmer group, engaged in agricultural extension activities, who may receive grants under the Project to carry out a Pilot Subproject;

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

(o) "TSh" means Tanzanian shillings, the currency of the Borrower;

(p) "Training Coordination Committee" means the committee referred to in paragraph 5 of Schedule 4 to this Agreement;

(q) "Local Authority" means a district council, city council, town council, or municipal council, as the case may be;

(r) "District Executive Director" or "DED" means the chief executive officer of a local government authority appointed pursuant to the provisions of the Local Government Service Act, 1982, and when used in relation to any (i) district authority, it refers to a District Executive Director or a Township Executive Director, or (ii) urban authority, it means a City Director, Municipal Director, or a Town Director; and

(s) "MALNR" means the Ministry of Agriculture, Livestock, and Natural Resources in Zanzibar.

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 twenty-one million five hundred thousand Special Drawing Rights (SDR 21,500,000).

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 (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, 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, or (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made by recipients of grants for Pilot Subprojects under Part D of the Project, to meet the reasonable cost of goods, works, and services required for agricultural extension activities in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars two separate special deposit accounts for Parts A to D and Part E of the Project, respectively, in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, 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.

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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.

(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 per cent (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 March 15 and September 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 March 15 and September 15, commencing September 15, 2006 and ending March 15, 2036. Each installment to and including the installment payable on March 15, 2016 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, shall carry out Parts A through D of the Project through MAC and MRALG and Part E of the Project through MALNR, all with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural extension, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services, and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.04. Without limitation to the provisions of Section 3.01 (a) above, the Borrower shall (a) for the purposes of the Project, open and maintain in TSh, in a commercial bank, a Project Account, on terms and conditions satisfactory to the Association; and (b) deposit into said Project Account, at quarterly intervals, such amounts as are estimated to be required for the carrying out of the Project during the ensuing quarter, or such other amounts as shall be agreed between the Borrower and the Association.

Section 3.05. The Borrower shall, not later than July 31 in each year, commencing on July 31, 1997, furnish evidence, satisfactory to the Association, that amounts provided in the MAC and MALNR budget for the Project were released in a timely manner for the intended purposes.

Section 3.06. (a) The Borrower shall carry out, jointly with the Association, not later than December 31, 1999, a midterm review of the Project. This review shall cover, inter alia, (i) the extent to which the development and other objectives of the Project have been achieved, (ii) compliance with the financial audit and other obligations of the Borrower, (iii) the provision of funds for the Project by the Borrower; and (iv) the implementation of the Project;

(b) the Borrower shall furnish to the Association, at least thirty days prior to such review, a report, in scope and detail satisfactory to the Association, describing the status of progress regarding the items listed in paragraph (a) above and of Project implementation generally; and

(c) based on such review, the Borrower shall promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project, and shall thereafter implement such action plan.

Section 3.07. The Borrower shall make available to MALNR the proceeds of the Credit allocated from time to time to Categories (7) (a) through (7) (d) in the table in Schedule 1 to this Agreement under a subsidiary agreement, with terms and conditions satisfactory to the Association.

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 Accounts, 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts 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 event is specified, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

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 Borrower has furnished to the Association a copy of the MAC circular adopting the Project Implementation Plan and the Financial Management Manual;

(b) the Borrower has established the PSC, the Training Coordination Committee, and a LAMT in each Local Authority, in accordance with the provisions of paragraphs 3, 4, and 5, respectively, of Schedule 4 to this Agreement;

(c) the Borrower has furnished to the Association evidence satisfactory to the Association that adequate provision has been made in MAC's Fiscal Year 1996/1997 budget for the Project; and

(d) the Borrower has finalized standard bidding documents for procurement using National Competitive Bidding procedures.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister at the time responsible for 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 9111
Dar es Salaam
Tanzania

Cable address:

TREASURY
Dar es Salaam

Telex:

41329

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
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.

UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category, and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Credit Allocated (Expressed in SDR equivalent) | % of Expenditures to be financed |
|---|---|---|
| (1) Civil works | 550,000 | 90% |
| (2) Vehicles, equipment and furniture | 3,150,000 | 100% of foreign expenditures and 90% of local expenditures |
| (3) Consultants' services, training, and studies | 6,750,000 | 100% |
| (4) Works, goods, and services under Part D of the Project | 3,550,000 | 100% |
| (5) Incremental operating costs | | |
| (a) | 2,100,000 | 100% |
| (b) | 3,200,000 | 90% |
| (6) Unallocated | 400,000 | |
| (7) Part E of the Project | | |
| (a) Civil works | 200,000 | 90% |
| (b) Vehicles, equipment, furniture and chemicals | 450,000 | 100% of foreign expenditures and 90% of local expenditures |
| (c) Consultants' services, training, and studies | 900,000 | 100% |
| (d) Incremental operating costs | 250,000 | 90% |
| TOTAL | 21,500,000 | |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means expenditures incurred for fuel, maintenance and operation of vehicles, office supplies and minor office equipment, utilities, expenditures for telephones and facsimiles, radio and television air time, and field allowances for Project staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Category (4) until the Association has approved the Pilot Subproject concerned, if it is one of the first five or if the cost of the Pilot Subproject is \$20,000 equivalent or more.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts not exceeding \$100,000 equivalent, and for consultants' contracts not exceeding \$100,000 equivalent for firms and \$50,000 equivalent for individuals, 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 continue to improve the delivery of extension services to smallholder farmers in the Borrower's territories by focusing on the enhancement of the technical and administrative capacity of the Local Authorities to provide such extension services.

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

Part A: Institutional Strengthening

1. Rationalizing and strengthening the crop and livestock units in MAC and Local Authorities for facilitating extension delivery by (a) establishing an Extension Service Facilitation Unit (ESFU) in MAC which shall coordinate implementation of the agricultural extension program; (b) establishing a strengthened financial and accounting management system appropriate for implementing the Project through the Local Authorities; (c) enhancing farmer/research/extension linkages; (d) establishing a monitoring and evaluation system for measuring the effectiveness of the Project activities; and (e) enhancing the Local Authority focus of extension delivery.

2. Acquisition of vehicles, including motorcycles and bicycles, equipment and furniture, rehabilitation of field offices and construction of a limited number of residential houses for Project staff.

Part B: Extension Education and Training

1. Staff Training

(a) Provision of training to upgrade the skills of about 450 extension field assistants to enhance the effectiveness of technology transfer.

(b) Provision of training to cover the needs of staff of Local Authorities, as identified in a capacity building needs assessment study.

(c) Carrying out a training program for about 100 certificate holders and about 800 diploma holders in crop and livestock production.

(d) Provision of refresher courses in group dynamics, participatory approaches to agricultural extension, communications, support skills, development support to production, and management skills to about 1300 extension managers and subject matter specialists.

(e) Carrying out a training program for front-line extension staff in practical skills of group mobilization, working with groups and participatory extension, communications, and facilitating development support.

(f) Provision of graduate courses for about 40 extension managers and subject matter specialists with diploma qualifications.

(g) Provision of post-graduate and higher diploma courses for about 80 extension managers, and training and subject matter specialists in collaboration with the Sokoine University of Agriculture.

(h) Provision of limited Project-related training to staff in Ministries participating in the PSC.

2. Farmer Training

(a) Provision of about 500 one-week residential courses for leaders of farmers, women, and youth groups to improve their farming skills.

(b) Provision of about 5,000 one-day on-site training sessions for members of farmer groups in new extension methodologies.

(c) Provision of farm study tours.

(d) Acquisition of technical information bulletins and materials for farmers.

3. Training Institutes

(a) Acquisition of teaching aids, including library and laboratory equipment, farm equipment, office equipment, audio-visual aids; and

(b) rehabilitation of agricultural extension training facilities.

Part C: Communications

1. Establishment of communication centers in seven zones to ensure an effective response to area-specific information needs of the farming communities.

2. Reorganization of MAC's Field Extension and Publicity Unit.

3. Carrying out a needs assessment study of extension communication strategies.

4. Provision of overseas training to radio program staff in radio script writing and a professional staff in social marketing and participatory techniques.

Part D: Pilot Subprojects

Carrying out of Pilot Subprojects through the provision of grants to improve extension management, technology transfer, inter-linkages between farmers--extension--research, the participation of other providers in extension delivery, seeds production, input supply, and support for the establishment of Savings and Credit Cooperative Societies.

Part E: Zanzibar

1. Institutional Strengthening

(a) Strengthening agricultural extension services in Zanzibar through the (i) upgrading of the skills of extension staff; (ii) enhancement of farmer/research/extension linkages; and (iii) establishment of participatory extension approaches.

(b) Strengthening the capacity to develop sound agricultural innovations for farmers.

(c) Acquisition of vehicles, including motorcycles and bicycles, equipment and furniture, rehabilitation of research staff houses, and the construction of four houses for teaching staff at the Kizimbani Agricultural Training Institute.

2. Education and Training

(a) Staff Training: (i) provision of short in-service training of about 120 adaptive research and extension staff; (ii) provision of refresher courses on communication skills and participatory extension approaches to about 100 block extension officers; (iii) and carrying out of a special program of training of about 83 students for certificate courses in crop and livestock production at the Kizimbani Agricultural Training Institute and about 24 students for agriculture-related diploma courses.

(b) Farmer Training: (i) provision of training of about 9,100 farmers on aspects of integrated pest management, selection of virus-free cassava planting materials, compost production, grafting techniques and nursery management, research methodology, post harvest techniques, cooperative skills, group dynamics, record keeping, and improved vegetable production; (ii) provision of study tours for about 42 farmers to Mainland Tanzania to improve husbandry practices; (iii) establishment of 100 demonstration plots and carrying out of Farmers' Field Days for about 1,000 farmers; and (iv) provision of one-week residential courses on improved crops, livestock husbandry, and fisheries for about 300 smallholder farmers.

(c) Support to Kizimbani Agricultural Training Institute: (i) establishment of a one-hectare training farm; and (ii) acquisition of reference books.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods and works shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more each and \$200,000 or more each, respectively.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$850,000, and goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines up to an aggregate amount not to exceed \$200,000 may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works and goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on 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, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, shortlists, 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, said exceptions 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 a critical nature, as reasonably determined by

the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. Except as the Association shall otherwise agree in carrying out the Project, the Borrower shall apply the procedures set out in the Project Implementation Plan, and the Borrower shall not amend, abrogate, or waive such Plan or any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

2. (a) The Head of the Extension Service Facilitation Unit of MAC shall be responsible for the overall coordination/implementation of the Project, and shall closely consult with MRALG on all important issues.

(b) For the purposes of Part B.1 of the Project, MAC shall, in consultation with MRALG, be responsible for planning, organizing, and implementing staff training proposals in consultation with the respective Local Authority or Local Authorities.

(c) For the purposes of Part B.2 of the Project, the Local Authorities shall be responsible for implementing the farmer training programs in terms of the annual work plan discussed with MRALG and approved by MAC.

(d) For the purposes of Part B.3 of the Project, MAC shall coordinate activities under the Project for supporting the training institutes in carrying out extension training programs.

(e) For the purposes of Part D of the Project, MAC shall, in consultation with MRALG and the respective Local Authorities, be responsible for planning and facilitating preparation of the subprojects; and the Local Authority shall be responsible for the approval and carrying out of the approved subprojects.

(f) All Project activities at the local level shall be carried out by the respective Local Authority under guidelines provided by MAC, in consultation with MRALG. Each Local Authority shall be responsible for:

- (i) preparing annual work plans and budgets and securing approval from
MAC for funding;
- (ii) making provision in the Local Authority's annual budget for
Project activities in terms of the approved annual work plan;
- (iii) implementing the approved annual work plan with due diligence and
efficiency;
- (iv) monitoring and supervising the Project at the local level;
- (v) providing periodic progress reports on implementation to MAC,
LAMT, the Regional Administrative Secretary, and others as may
be specified by MAC and MRALG;
- (vi) providing funds to field implementers on time to secure
satisfactory implementation;
- (vii) maintaining records of accounts in formats satisfactory to MAC and
MRALG reflecting Project expenditures and revenues;
- (viii) opening and maintaining a project account in a commercial bank
approved by the Borrower and using this account to receive revenues
and to incur expenditures on approved activities;
- (ix) having the Project accounts audited by an auditor appointed by the

Borrower or nominated by the Borrower;

(x) facilitating supervision of the Project by the Local Authority Director and designated officials of MAC and MRALG, including granting them access to records, accounts, and other financial books, as well as to Project inventory and inventory records; and

(xi) performing all other acts necessary for execution of the Project in terms of its objectives.

3. (a) The Borrower shall establish and maintain a Project Steering Committee under the chairmanship of the Permanent Secretary, MAC, and comprising the Permanent Secretaries of the MOF, the Planning Commission, MRALG, the Ministries of Community Development, Justice and Constitutional Affairs, and the Principal Secretaries of MALNR, MOF, and the Ministry of Planning and Investment of Zanzibar, heads of departments of MAC and MALNR, and a representative each of farmers and other extension providers to address policy issues, approve annual work plans and budgets, review program progress and audit observations, approve changes to the Project Implementation Plan, and provide directions for overall management of the Project.

(b) The Borrower shall establish and maintain until completion of the Project in Zanzibar a Project Technical Committee to be chaired by the Principal Secretary, MALNR, and it shall comprise the Principal Secretaries of the Zanzibar Ministries of Finance, Planning and Investment, Women and Children, the Managing Director of the People's Bank of Zanzibar and the Commissioner of MALNR. The Committee shall provide guidance on Project implementation and maintain oversight of implementation progress of the Zanzibar program.

4. The Borrower shall, in each Local Authority, establish and maintain a LAMT with composition and functions acceptable to the Association. Each LAMT shall be chaired by the Local Authority Director and shall, inter alia, review the implementation of the Project in the Local Authority, liaise with NGOs and other extension providers, assist in raising resources locally for supporting extension activities and provide support in farmer mobilization and resolving farmers' problems.

5. The Borrower shall establish and maintain a Training Coordination Committee with composition acceptable to the Association to finalize the annual training plan for the Project, review training curricula and progress, facilitate networking between training institutions, and give directions for the overall management training support under the Project.

6. The Borrower shall (a) not later than December 31, 1996, strengthen and maintain its M & E system acceptable to the Association; and (b) incorporate the findings and recommendations of the M&E system in the annual progress reports.

7. The Borrower shall, by May 31 in each year, furnish to the Association, for its review and comments, the annual work program for the carrying out of the Project and supporting budgets. Such documents shall include, inter alia, a review of progress, implementation issues, with proposed solutions, timetables, and updated performance indicators.

Pilot Subprojects Under Part D of the Project

8. Without limitation upon the provisions of paragraph 1 above, Pilot Subprojects shall be eligible for financing out of the proceeds of the Credit only if they satisfy the criteria specified below, and in more detail in the Project Implementation Plan, which shall include, inter alia, the following:

(a) the Pilot Subprojects shall cover an activity within any of the following areas: improvement in extension management, technology transfer, farmer/extension/research linkages, participation of other providers, promotion of Savings and Credit Societies and farmers' organizations;

(b) the pilot Subprojects shall be initiated by MAC, NGOs, the private sector, cooperatives, or farmer groups; and

(c) the cost of the Subproject shall not exceed \$100,000 equivalent, provided

however, that Pilot Subprojects covering at least three Local Authorities may cost up to \$200,000 equivalent.

9. (a) The LAMT, in the Local Authority concerned, shall review each proposal for a Pilot Subproject and make recommendations to the PSC after such proposal has been reviewed by the Commissioner for Agriculture and Livestock within MAC. Each Pilot Subproject shall be approved by the PSC.

(b) The first five Pilot Subprojects, as well as all Pilot Subprojects whose total cost is \$20,000 or more, shall be sent to the Association for its approval.

10. The Pilot Subprojects shall be financed as grants under a Grant Agreement to be entered into between the Borrower and the Recipient of the grant under conditions satisfactory to the Association, including conditions whereby the Borrower shall obtain rights adequate to protect the interests of the Borrower and the Association, including, to the extent appropriate, the right to:

(a) require that the Pilot Subprojects pilot activity be carried out with due diligence and efficiency and in accordance with sound technical, financial, and managerial standards and that adequate records be maintained;

(b) require that the goods and works for the Pilot Subprojects to be financed out of the proceeds of the Credit be procured at a reasonable cost, account being taken of the time of delivery, efficiency, their quality, and the competence of the parties rendering them;

(c) obtain all such information as the Borrower and the Association shall reasonably request relating to the Pilot Subprojects; and

(d) require the Recipients of grants to submit to MAC the final results of the Pilot Subprojects financed under the Project.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) with respect to Special Account A and Category (7) with respect to Special Account B;

(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;

(c) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 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 \$4,000,000; and

(d) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts at such intervals as the Association shall specify.

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts 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 Accounts 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 Accounts, 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 Accounts:

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 Accounts 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 Accounts (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 Accounts (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 Accounts 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 Accounts 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 Accounts.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b), and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

