

CONFORMED COPY

CREDIT NUMBER 2845 UG

Development Credit Agreement

(Agricultural Sector Management Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 2, 1996

CREDIT NUMBER 2845 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 2, 1996, between THE REPUBLIC OF UGANDA (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 Association has received a letter dated December 14, 1995 from the Borrower describing its strategy for agriculture institutional development (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program; 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 set forth below (the General Conditions) constitute an integral part of this Agreement:

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

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

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

- (a) "MAAIF" means the Borrower's Ministry of Agriculture, Animal Industry and Fisheries;
- (b) "MPS" means the Borrower's Ministry of Public Services;
- (c) "MOLG" means the Borrower's Ministry of Local Government;
- (d) "MFEP" means the Borrower's Ministry of Finance and Economic Planning;
- (e) "APD" means the Agricultural Planning Department within MAAIF;
- (f) "APRF" means the Agricultural Policy Research Fund to be established under Part A.2 of the Project;
- (g) "ASIP" means the Agricultural Sector Investment Program to be prepared under Part A.3 of the Project;
- (h) "EPRC" means the Economic Policy Research Center, a company incorporated on March 31, 1993 under the Companies Act, Cap. 85, of the Laws of Uganda;
- (i) "District" means each of the 39 administrative districts in the Borrower's territory established under the Uganda Constitution of 1995;
- (j) "Project Implementation Plan" and "PIP" mean the comprehensive plan for the implementation of the Project referred to in paragraph 4 (a) of Schedule 4 to this Agreement;
- (k) "First Project Year" means the twelve month period beginning on July 1, 1996 and ending twelve months thereafter and "Project Year" or "PY" means any twelve-month period beginning at the end of the First Project Year or the end of subsequent Project Years;
- (l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 1, 1995, March 23, 1995, December 15, 1995, and December 28, 1995 between the Borrower and the Association;
- (m) "Special Account" means each of the accounts referred to in Section 2.02 (b) of this Agreement;
- (n) "Research Grant" means a grant made, or to be made, by EPRC to a Beneficiary (as hereinafter defined) for the carrying out of a research activity under Part A.2 of the Project;
- (o) "Beneficiary" means a recipient of a Research Grant selected on the basis of the eligibility criteria referred to in paragraph 6 of Schedule 4 to this Agreement; and
- (p) "Grant Agreement" means the agreement to be entered into between EPRC and a Beneficiary for the purposes of carrying out a

research activity under Part A.2 of the Project.

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 twelve million one hundred thousand Special Drawing Rights (SDR 12,100,000).

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) amounts paid (or, if the Association shall so agree, amounts to be paid) by EPRC on account of withdrawals made by a Beneficiary under a Research Grant to meet the reasonable cost of goods and services required for the research activities in respect of which the withdrawal from the credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

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

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be 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 canceled; 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 April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2006 and ending April 1, 2036. Each installment to and including the installment payable on April 1, 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 the Project through MAAIF with due diligence and efficiency and in conformity with appropriate administrative, agricultural and financial 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. (a) The Borrower shall, within thirty months after the Effective Date, but in any event not later than December 30, 1998, carry out jointly with the Association, a comprehensive review of the Project, during which they shall exchange views generally on all matters relating to the progress made in the carrying out of the Project and the performance by the Borrower of its obligations under this Agreement including, but not limited to a review of the achievements of the Project, in accordance with performance indicators specified in the PIP, the implementation and management aspects of the Project, the performance and use of technical assistance personnel, the role of national counterpart

staff, the status and results of training, reporting, accounting and audit performance, disbursement procedures and the overall sustainability of the Project.

(b) Not later than thirty (30) days prior to the review referred to in paragraph (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in implementing the various components of the Project, and a draft plan containing proposals for remedying any identified deficiencies.

(c) The Borrower shall, promptly after the review referred to in paragraph (a) above, (i) prepare an action plan satisfactory to the Association based on the recommendations stemming from the aforementioned review, and (ii) adopt and implement such plan for the remainder of the Project period.

Section 3.04. For 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 (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project;

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

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for each Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional 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 completed a baseline survey, satisfactory to the Association, to be carried out in accordance with paragraph 4 (c) of Schedule 4 to this Agreement;
- (b) MAAIF has appointed duly qualified staff to fill the positions referred to in paragraph 5 (a) (i) of Schedule 4 to this Agreement;
- (c) the Borrower has taken steps, satisfactory to the Association, ensuring that all Districts will carry out the surveys referred to in Part C.1 (b) and (c) of the Project; and
- (d) the Borrower has adopted a PIP satisfactory to the Association.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister 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 and Economic Planning
P.O. Box 8147
Kampala
Uganda

Cable address:

FINSEC
Kampala

Telex:

61170

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.

THE REPUBLIC OF UGANDA

By /s/ Stephen K. Katenta-Apuli

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) Works	56,000	90%
(2) Goods:		100% of foreign expenditures and 90% of local expenditures
(a) under Parts A.1, A.3, B.1, B.2 and C of the Project; and	1,295,000	

	(b) under other Parts of the Project	760,000	
(3)	Consultants' services		100%
	(a) under Parts A.1, A.3, B.1, B.2 and C of the Project; and	2,475,000	
	(b) under other Parts of the Project	260,000	
(4)	Training, workshops and seminars		100%
	(a) under Parts A.1, A.3, B.1, B.2 and C of the Project;	255,000	
	(b) under Part A.4 of the Project; and	195,000	
	(c) under Part B.3 of the Project	2,816,000	
(5)	Publications, including teaching materials and manuals		50%
	(a) under Parts A.1, A.3, B.1, B.2 and C of the Project; and	100,000	
	(b) under Part A.4 of the Project	50,000	
(6)	Operating expenditures		80% in the First Project Year and Project Year 2 and 65% in Project Year 3 and Project Year 4 45% thereafter
	(a) under Parts A.1, A.3, B.1, B.2 and C of the Project; and	1,275,000	
	(b) under Part A.4 of the Project	610,000	
(7)	Research grants	935,000	100% of amounts disbursed by EPRC
(8)	Refunding of Project Preparation Advance	405,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9)	Unallocated	613,000	
	TOTAL	<u>12,100,000</u> =====	

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 expenditures" means incremental expenditures incurred on account of the Project for allowances, office supplies, office communications services, minor office equipment, utilities, fuel, maintenance and insurance of vehicles.

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

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

(b) payments made under Category (4) (c) unless: (i) MAAIF has established the training committee referred to in paragraph 10 of Schedule 4 to this Agreement, and (ii) MAAIF has completed, to the satisfaction of the Association, the needs assessment study referred to in paragraph 11 of Schedule 4 to this Agreement; and

(c) payments made for expenditures under Category (7), unless EPRC has submitted to the Association a model Grant Agreement, satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure:

(a) for expenditures for goods and works under contracts not exceeding \$100,000 equivalent; and

(b) for expenditures for services under consultants' services not exceeding: (i) \$100,000 for consulting firms, and (ii) \$50,000 for individuals; under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to enhance analytical capacity for policy formulation in the agricultural sector; (b) to improve the responsiveness, efficiency and effectiveness of MAAIF in carrying out its role in agricultural sector management, through reforming management systems and improving internal procedures; and (c) to strengthen agricultural information systems.

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: Policy Formulation and Strategic Planning

1. Strengthening APD's analytical capacity to formulate policy and define strategic policies in the agricultural sector through:

(a) provision of technical advisory services in policy and strategy formulation and analysis; financial analysis and business management; production economics and farm management; and strengthening staff skills and capacity through fellowships, short courses and study tours; and

(b) a twinning arrangement with EPRC to enable APD staff to acquire first hand experience through participation in selected research programs.

2. Establishment of APRF to: (a) foster policy-related analytical skill-building, and (b) to deepen the understanding of relevant issues in the agricultural sector, through the financing of research and analysis programs of participants in both the public and private sectors.

3. Preparation of a national medium-term agricultural sector investment program to promote investment and growth in agriculture through:

(a) the definition of priorities and strategies in the sector, including the roles of the various public and private sector entities involved in the implementation of such strategies; and

(b) the identification and preparation of high-priority subsector investment proposals consistent with the strategy defined in Part 3 (a) above.

4. Promotion of effective agricultural growth and development among rural families through: (a) the introduction of micro-level strategic planning capability among communities, and (b) strengthening the linkages between MAAIF and the Districts in the areas of training and agricultural data collection and analysis.

Part B: Management Systems Reform and Training

1. Carrying out of studies on, and subsequent implementation of, the reform of the internal administrative and management systems of MAAIF, including the reform of its systems of: (a) accounting and financial management, (b) procurement, maintenance and asset management, (c) internal audit, (d) personnel management, and (e) information.

2. Implementation of a results-oriented-management-system in MAAIF through the preparation and implementation of a comprehensive scheme designed to introduce improved management and performance evaluation techniques.

3. Establishment and operation of a fund to finance training to enhance the analytical, monitoring and implementation capacity of staff of MAAIF, Districts, and public sector institutions involved in the implementation of the Project.

Part C: Strengthening Agricultural Data and Information Systems

Strengthening the Borrower's capacity to produce a reliable data base for the agricultural sector through:

1. the carrying out of surveys for the establishment of a primary agricultural data base at the (a) national, (b) District, and (c) community levels;

2. the design and implementation of annual agriculture sample surveys;

3. the preparation of a national sample census of agriculture and livestock; and

4. the design and implementation of integrated fisheries surveys.

* * *

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 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 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 the procurement of vehicles, computers and office equipment shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more each.

(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

(a) Goods estimated to cost less than \$100,000 equivalent in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost \$90,000 equivalent in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost \$30,000 equivalent or less per contract and \$150,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost \$30,000 equivalent or less per contract and \$100,000 equivalent or less in the aggregate, 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.

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 goods and works 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, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, 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. MAAIF shall implement the Project with the assistance of a Project Steering Committee (PSC) which shall be chaired by the Permanent Secretary of MAAIF and comprise the Commissioner of District Administrations in MOLG, the Commissioners of Economic Planning and of Statistics in MFEP, the Commissioner for Administrative Reform in MPS, the Director of the Secretariat of the Borrower's Agricultural Policy Committee, the Directors, respectively, of Animal Resources, Crop Resources and Agricultural Extension in MAAIF, and the APD Commissioner in MAAIF. PSC shall be established not later than thirty days after the Effective Date and its responsibilities shall include the provision of overall guidance in Project implementation with respect to policy matters, resource allocation, monitoring, implementation and resolution of major implementation issues.

2. MAAIF shall, not later than thirty days after the Effective Date, set up a Project Management Committee (PMC) to advise PSC on any technical and implementation issues that may arise in the course of Project implementation. PMC shall be chaired by the head of APD and comprise all heads of departments and units within MAAIF and other Ministries and Agencies of the Borrower responsible for the implementation of the various components or sub-components of the Project.

3. The head of APD shall also serve as Project Manager answerable to PSC with responsibility for monitoring progress in the implementation of the Project, including accounting, procurement and disbursement matters and the preparation of periodic quarterly and semiannual progress reports. The Project Manager shall be assisted in the day-to-day monitoring of Project implementation by a duly qualified deputy, a financial advisor and a procurement specialist.

4. (a) MAAIF shall: (i) prepare and adopt a detailed and comprehensive plan (PIP), satisfactory to the Association, for the implementation of all components of the Project, including detailed action plans and implementation indicators for each component of the Project, (ii) take all measures necessary to ensure that the Project is carried out in conformity with the PIP, and (iii) not assign, amend, abrogate or waive the PIP or any provision thereof which in the opinion of the Association, will materially or adversely affect the implementation of the Project.

(b) MAAIF shall take all measures necessary to ensure that its monitoring and evaluation unit prepares and furnishes to the Association, with effect from the end of the First Project Year, for its review and comments, semiannual progress reports in such form as the Association shall reasonably request, including an evaluation of Project implementation based on the action plan for the period under review, identification of any problems encountered and suggested remedial actions. Such reports shall be furnished to the Association not later than thirty days after the date of their preparation.

(c) MAAIF shall take all measures necessary to carry out, with the assistance of consultants to be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement, a baseline survey covering MAAIF and a sample of Districts selected by MAAIF designed to assess the prevailing level of capacity and effectiveness of staff dealing with agriculture.

Part A of the Project

5. (a) In order to carry out Part A.1 of the Project, the Borrower shall, not later than thirty days after the Effective Date, prepare a three-year technical assistance twinning agreement, satisfactory to the Association, to be entered into with EPRC with terms of reference which shall have been approved by the Association. MAAIF shall take all measures necessary to create the necessary positions required to enable APD to carry out its duties under the Project and to promptly fill such positions with suitably qualified staff including: (i) five statisticians, seven economists, and (ii) two financial analysts, two production economists or farm management specialists, a sociologist and a specialist in agri-business management.

(b) The positions referred to in paragraph 5 (a) (ii) shall be filled by not later than six months after the Effective Date.

6. (a) EPRC shall be responsible for the establishment and administration of APRF under Part A.2 of the Project in accordance with an agreement, satisfactory to the Association, to be entered into not later than thirty days after the Effective Date, between the Borrower and EPRC which shall, inter alia, specify:

- (i) EPRC's overall responsibility for the administration and control of APRF and the approval and disbursement of Research Grants to be financed out of the proceeds of the Credit allocated to Category (7) of the table set forth in paragraph 1 of Schedule 1 to this Agreement;
- (ii) the eligibility criteria for Research Grants to be financed under APRF, which shall include:
 - (A) the relevance of research proposals to priority agricultural policy issues;
 - (B) the potential contribution of the proposed research to the building of capacity of relevant institutions and to Beneficiaries;
 - (C) the justification for, and analytical soundness of, proposals submitted by a Beneficiary;
 - (D) the qualifications and experience of a Beneficiary;
 - (E) the Beneficiary's contribution to the cost of the proposed research;
 - (F) the likely practical application of the proposed research activity; and
 - (G) the amount and frequency of Research Grants to which a Beneficiary may be eligible; and
- (iii) (A) unless the Association shall otherwise agree,

Research Grants for: (I) capacity building shall not exceed \$15,000 equivalent, and (II) other complex research activities shall not exceed \$100,000 equivalent and shall be evaluated on a competitive basis;

- (B) EPRC shall enter into a Grant Agreement with each Beneficiary under terms and conditions, satisfactory to the Association, which shall include the obligation of the Beneficiary to: (I) carry out the policy research activity approved by EPRC, (II) periodically report to EPRC on the progress made in carrying out the research, and (III) procure the goods and services to be financed under a Research Grant in accordance with procedures acceptable to the Association as specified in the Grant Agreement and which shall be consistent with the provisions of Schedule 3 to this Agreement.

7. In the implementation of Part A.3 of the Project, MAAIF shall: (a) take all measures necessary to ensure that the preparation and implementation of ASIP is carried out in consultation with the Borrower's Agricultural Policy Committee, (b) appoint a manager of ASIP, whose qualifications and terms of reference shall be satisfactory to the Association, (c) not later than thirty days after the appointment of the ASIP manager, appoint a task force, supported by appropriate working groups, to undertake the preparation of ASIP, (d) take all measures necessary to ensure that: (i) an agricultural strategy paper is completed not later than eight months after the appointment of the ASIP manager, and (ii) ASIP is completed not later than fourteen months after the Borrower's approval of the agricultural strategy paper.

8. The preparation of guidelines for District agricultural plans under Part A.4 of the Project shall be carried out by MAAIF with the assistance of a team comprising representatives of the Borrower's Ministry of Finance and Economic Planning, MOLG, and representatives of District administrations under terms of reference satisfactory to the Association. MAAIF shall take all measures necessary to ensure that: (a) guidelines for District agricultural plans are completed not later than thirty days after the Effective Date, and (b) all District shall complete the preparation of their respective District plans within twenty-four months after the Effective Date.

Part B of the Project

9. The Permanent Secretary of MAAIF, assisted by the Under Secretary for Finance and Administration (USFA) and the head of APD, shall oversee the implementation of Part B of the Project. To this end, the Permanent Secretary shall set up a task force to be chaired by the USFA to initiate the results oriented management (ROM) process. The USFA shall be responsible, inter alia, for (a) organizing the recruitment of a consultant with expertise in ROM, (b) the coordination of ROM activities of MAAIF with those planned and implemented by MPS, and (c) the implementation of internal systems and procedures with the assistance of duly qualified consultants with expertise in finance, procurement and audit who shall be employed by not later than thirty days after the Effective Date.

10. (a) Until such time as the results oriented management is introduced as specified in subparagraph (b) below APD shall take all measures necessary to improve management systems in MAAIF's departments including completion of annual work programs at the beginning of each fiscal year with each department defining the tasks to be undertaken by APD, expected outputs or services, the time of completion of the task and the fees to be paid to APD.

(b) MAAIF shall, not later than twelve months after the Effective Date and with the assistance of MPS and MFEP, take all measures necessary to commence the introduction of results-oriented-management in MAAIF.

11. MAAIF's Department of Training and Information shall be responsible

for the implementation of the training fund sub-component under Part B.3 of the Project. MAAIF shall: (a) appoint a training officer whose qualifications and terms of reference shall be satisfactory to the Association, and (b) not later than six months after the Effective Date, establish a committee with terms of reference satisfactory to the Association, to, inter alia, review all training proposals and make recommendations to PMC.

12. MAAIF shall take all measures necessary to carry out a needs assessment study under terms of reference satisfactory to the Association, to, inter alia: (a) identify the gaps in technical, implementation and management skills of senior and middle level staff of MAAIF and other institutions participating in the implementation of the Project, (b) develop a set of training modules that are appropriate to fill the identified skill gaps, (c) establish detailed criteria and prerequisites for evaluating and approving requests and proposals for training, and (d) recommend the appropriate allocation of funds.

13. The training officer referred to in paragraph 10 (a) above, who shall be responsible for the management of all training activities and serve as secretary of the training committee, shall, based on the recommendations of the study referred to in paragraph 11 hereinabove, periodically prepare annual training plans which shall be furnished to the Association for its review and comments, prior to their implementation.

Part C of the Project

14. Chief Administrative Officers in each District shall be responsible for the implementation of Part C.1 of the Project at the District and community levels, and shall be assisted by MAAIF through, inter alia, training, design of questionnaires, preparation of guidelines and data processing.

15. Parts C.2 and C.3 of the Project shall be carried out by MFEP's Statistics Department in accordance with a memorandum of understanding, satisfactory to the Association, to be entered into by MAAIF and MFEP not later than thirty days after the Effective Date.

16. Part C.4 of the Project shall be carried out by the Fisheries Department of MAAIF.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means:

Categories (1), (2) (a), (3) (a), (4) (a), (5) (a), and (6) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement with respect to Special Account A; and Categories (2) (b), (3) (b), (4) (c), (4) (b), (5) (b), (6) (b) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement 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; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 with respect to Special Account A and an amount equivalent to \$500,000 with respect to Special Account B to be withdrawn from the Credit Account and deposited in the Special Accounts 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 \$500,000 in respect of Special Account A and an amount equivalent to \$250,000 in respect of Special Account B until: (i) in respect of Special Account A the aggregate amount of

withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000, (ii) in respect of Special Account B the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000.

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits into the respective Special Account 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 respective Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

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

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

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