

CONFORMED COPY

CREDIT NUMBER 2935 KE

Project Agreement

(National Agricultural Research Project--Phase II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KENYA AGRICULTURAL RESEARCH INSTITUTE

Dated February 25, 1997

CREDIT NUMBER 2935 KE

PROJECT AGREEMENT

AGREEMENT, dated February 25, 1997, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and KENYA AGRICULTURAL RESEARCH INSTITUTE (KARI).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Kenya (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-seven million four hundred thousand Special Drawing Rights (SDR 27,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that KARI agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS (B) by a Grant Agreement to be entered into between the Borrower and KARI, the proceeds of the Credit provided for under the Development Credit Agreement will be made available to KARI on the terms and conditions set forth in said Grant Agreement; and

WHEREAS KARI, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) KARI declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and agricultural research practices, and shall provide, or cause to be provided, 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 Association and KARI shall otherwise agree, KARI shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) KARI shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For purposes of Section 9.07 of the General Conditions, and without limitation thereto, KARI shall:

- (i) 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; and
- (ii) afford the Association a reasonable opportunity to exchange views with KARI on said plan.

Section 2.04. KARI shall duly perform all its obligations under the Grant Agreement. Except as the Association shall otherwise agree, KARI shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Grant Agreement or any provision thereof.

Section 2.05. (a) KARI shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project and the Program, the performance of its obligations under this Agreement and under the Grant Agreement and other matters relating to the purposes of the Credit.

(b) KARI shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by KARI of its obligations under this Agreement and under the Grant Agreement.

ARTICLE III

Management and Operations of KARI

Section 3.01. KARI shall carry on its operations and conduct its

affairs in accordance with sound administrative, financial and agricultural research practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. KARI shall endeavor at all times to operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and agricultural research practices.

Section 3.03. KARI shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. KARI shall participate fully in the Midterm Review referred to in Section 3.06 of the Development Credit Agreement and, to this end, shall: (a) prepare and submit such reports as the Borrower and the Association may require for purposes of Section 3.06 (b) of the Development Credit Agreement, and (b) thereafter assist the Borrower in the preparation of the action plan referred to in Section 3.06 (c) of the Development Credit Agreement and in the implementation of such action plan.

Section 3.05. KARI shall: (a) continue to maintain and operate the ARF under terms and conditions satisfactory to the Association, and (b) administer the ARF in accordance with the relevant provisions relating thereto as specified in the ARF Manual.

ARTICLE IV

Financial Covenants

Section 4.01. (a) KARI shall:

- (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition and the resources and expenditures in respect of the Project; and
- (ii) maintain separate records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of ARF and the resources and expenditures of ARF under the Project.

(b) KARI shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses, statements of expenditure and related statements), as well as those for ARF, 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 event not later than three months after the end of each such year, unaudited financial statements for both KARI and ARF;
- (iii) 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 copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iv) furnish to the Association such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the

Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of KARI thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify KARI of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

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

For KARI:

Director
Kenya Agricultural Research Institute
P.O. Box 57811
Nairobi, Kenya

Telex:
22766

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of KARI may be taken or executed by the Director

or such other person or persons as the Director shall designate in writing, and KARI shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

KENYA AGRICULTURAL RESEARCH INSTITUTE

By /s/ Benjamin Kipkorir

Authorized Representative

SCHEDULE 1

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 equipment shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods and Domestic Contractors

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 and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$4,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 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 \$500,000 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.

Part D: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract estimated to cost the equivalent of \$100,000 or more for goods and \$500,000 or more for works, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. 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 Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, 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 individual consultants 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 2

Implementation Program

1. KARI shall implement the Project in accordance with the procedures

set out in the Project Implementation Manual, and, except as the Association shall otherwise agree, KARI shall not assign, amend, abrogate or waive such Manual or any provision thereof in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. Without limitation upon the provisions of Section 9.06 of the General Conditions, KARI shall:

(a) not later than December 1 in each year, submit to the Association for its review and comments, draft annual work programs for NRCs and RRCs (including a training program) and supporting financing plans for the Project for the succeeding calendar year; and

(b) not later than March 1 in each year, furnish to the Association the work programs and financing plans referred to in paragraph (a) hereof, as such programs and financing plans shall have been revised to the satisfaction of the Association in the course of the review referred to in paragraph (a) hereof and, except as the Association shall otherwise agree, carry out the Project in the year in question on the basis of the said work programs and financing plans, as so revised.

Agricultural Research

3. In carrying out Part B of the Project, KARI shall:

(a) not later than 12 months after the Effective Date, prepare and adopt an implementation plan for transferring responsibility for financing research activities to the private sector;

(b) not later than the Midterm Review, submit to the Association a progress report, satisfactory to the Association, on measures to transfer financing responsibilities for research on industrial/cash crops to the private sector, with particular emphasis on sugar and pyrethrum; and

(c) not later than July 1, 1998, submit to the Association a plan, satisfactory to the Association, for the rationalization of its network of research centers and begin implementing such plan not later than August 1, 1998.

4. In carrying out Part B.5 of the Project, KARI shall implement measures necessary to ensure that soil and tissue analysis services for farmers are provided on a full cost-recovery basis, in accordance with criteria acceptable to the Association.

Seeds Program

5. In carrying out Part C of the Project, KARI shall develop a plan for implementing a pilot seed program involving the formal and informal seed production and distribution sectors.

Procurement

6. KARI shall, not later than January 30 and July 30 of every year, submit to the Association for review a semiannual procurement progress report, in form and substance acceptable to the Association, which will show, amongst other things: (a) type and number of awarded contracts, (b) procurement in process, and (c) procurement processing time.

Agricultural Research Fund (ARF)

7. KARI shall be responsible for the overall management of ARF. ARF shall be managed by a management committee assisted by a panel of technical reviewers. KARI shall not change policies, procedures or membership of the management committee without prior consultation with the Borrower and the Association.

8. In carrying out Part B.6 of the Project, KARI shall follow the

procedures set out in the ARF Manual, and, except as the Association shall otherwise agree, KARI shall not assign, amend, abrogate or waive such Manual or any provision thereof so as to materially or adversely affect the implementation of Part B.6 of the Project.

9. KARI shall use the proceeds of the Credit allocated under Category 5 of the table in Schedule 1 to the Development Credit Agreement for making research grants to KARI scientists, universities, private sector agencies, international institutions and individuals who meet the criteria established in the ARF Manual, provided, however, that:

(a) Research Grants shall not exceed \$40,000 equivalent for individual scientists and \$100,000 equivalent for research institutions or universities; and

(b) proposals for Research Grants shall be evaluated on a competitive basis and according to a ranking system which favors proposals that foster team effort, collaboration among institutions and links with universities.

10. KARI shall enter into a Research Grant Agreement with each recipient of a research grant, under terms and conditions satisfactory to the Association and in accordance with the ARF Manual, which shall include the obligations of the recipients to:

(a) carry out the research approved by KARI,

(b) report periodically to KARI on the progress made in carrying out the research, and

(c) use the research grant to finance research-related operating costs on vehicles, including fuel, acquisition of office supplies, utilities, research consumables, salaries for short-term research assistants, travel, accommodation and printing costs.

