

CONFORMED COPY

CREDIT NUMBER 2261 UNI

(National Agricultural Research Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 6, 1991

CREDIT NUMBER 2261 UNI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 6, 1991, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Development 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 Develop-

ment Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "ASD" means the Agricultural Sciences Department of FMST;

(b) "FMST" means the Federal Ministry of Science and Technology of the Borrower;

(c) "HRDP" means the human resource development plan referred to in Part A.5 of the Project;

(d) "NACAR" means the National Advisory Committee for Agricultural Research established by the Borrower on October 30, 1990;

(e) "NACAR Secretariat" means the Secretariat established within ASD by the Borrower to serve NACAR;

(f) "Naira" means the Borrower's currency;

(g) "NRSP" means the national research strategy plan prepared under part A.3 of the Project;

(h) "Project Account" means the account referred to in Section 3.02 (a) of this Agreement;

(i) "Project Period" means the period between the date of effectiveness of this Agreement and the Closing Date;

(j) "Research Institute" means any of the following institutes: (1) Institute of Agricultural Research; (2) Lake Chad Research Institute; (3) National Cereals Research Institute; (4) Institute of Agricultural Research and Training; (5) National Root Crops Research Institute; (6) Cocoa Research Institute of Nigeria; (7) Rubber Research Institute of Nigeria; (8) Nigerian Institute for Oil Palm Research; (9) Forestry Research Institute of Nigeria; (10) National Institute for Horticultural Research; (11) National Animal Production Research Institute; (12) National Veterinary Research Institute; (13) National Institute for Trypanosomiasis Research; (14) Nigerian Stored Products Research Institute; (15) National Institute for Fresh Water Fisheries Research; (16) Nigerian Institute for Oceanography and Marine Research; (17) National Agricultural Extension and Research Liaison Services; and (18) Federal Institute of Industrial Research, Oshodi;

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

(l) "Sub-accounts" means the accounts referred to in Section 2.02 (c) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty-eight million five hundred thousand Special Drawing Rights (SDR 58,500,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable

cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account (the Special Account) in the name of FMST in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

(c) The Borrower shall, through FMST, open separate special deposit accounts (Sub-accounts) in one or more commercial banks, on terms and conditions satisfactory to the Association (including appropriate protection against set-off, seizure and attachment), in the name of each Research Institute for the purpose of carrying out Part B.4 of the Project.

(d) Deposits into, and payments out of, the Special Account and each Sub-account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998, 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 percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 2001 and ending January 15, 2026. Each installment to and including the installment payable on January 15, 2011, shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) 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 considera-

tion 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 FMST with due diligence and efficiency and in conformity with appropriate administrative, financial, management and research 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. (a) The Borrower shall, through FMST, maintain a project account (the Project Account) in the name of FMST in a commercial bank in Nigeria, on terms and conditions satisfactory to the Association, and shall withdraw funds from the Project Account solely to pay for expenditures for the Project.

(b) Without limitation or restriction upon the Borrower's obligation under paragraph (a) of this Section, and in addition to the initial amount referred to in Section 5.01 of this Agreement, the Borrower shall deposit into the Project Account, within 30 days following the end of each fiscal quarter of the Borrower (beginning with the first full fiscal quarter falling within the Project Period), 25% of the counterpart contributions of the Borrower required for expenditures under the Project for the current fiscal year, as specified in the estimate delivered by FMST under paragraph (c) of this Section. The Borrower and the Association presently estimate the said counterpart contributions for the Project to amount, in 1990 prices, to about \$26,000,000 equivalent over the Project Period.

(c) For the purposes of estimating the Borrower's counterpart contributions under paragraph (b) of this Section, the Borrower shall cause FMST to prepare and furnish to the Association, for its review, by September 30 of each fiscal year, a detailed statement of expenditures proposed under the Project for the following fiscal year.

Section 3.03. In addition to the obligations of the Borrower under Sections 3.01 and 3.02 of this Agreement, the Borrower shall expend each year on agricultural research not less than Naira 141,000,000, in constant 1990 Naira.

Section 3.04. 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 3.05. The Borrower shall use its best efforts to ensure that by December 31, 1991, the vaccine production of both the bacterial and viral vaccines managed by the National Veterinary Research Institute will be managed by an independent commercial entity.

Section 3.06. During the Project Period, the Borrower: (a) shall, through FMST, prepare a draft national agricultural research program (including a procurement schedule) and agricultural research budget for each fiscal year; (b) shall, through FMST, submit such draft to the Association for its comments at least 45 days prior to the beginning of such fiscal year; and (c) shall adopt each fiscal year a final national agricultural research program and agricultural research budget taking into consideration the views expressed by the Association.

Section 3.07. The Borrower shall operate NACAR and the NACAR Secretariat in accordance with the membership and terms of reference attached as Annexes A and B to this Agreement.

Section 3.08. The Borrower shall, through FMST: (a) carry out not earlier than June 30, 1994, and not later than December 31, 1994, jointly with the Association, a mid-term review of the progress made in carrying out the Project; and (b) modify implementation of the Project taking into account the conclusions of such review.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, 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 and 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.

(d) The Borrower shall ensure that the provisions of paragraphs (b) and (c) above applicable to the Special Account are complied with in respect of each Sub-account.

ARTICLE V

Effective Date; Termination

Section 5.01. 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, namely that the Project Account shall have been opened by the Borrower through FMST and shall contain at least 5,000,000 Naira deposited therein by the Borrower.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Honourable Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Honourable Minister
Federal Ministry of Finance
and Economic Development
P.M.B. 12591
Federal Secretariat
Ikoyi, Lagos
Nigeria

Cable address:

FEDMINFIN
Lagos

Telex:

21248

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.

FEDERAL REPUBLIC OF NIGERIA

By /a/ Zubair Mamoud Kazaure
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part Part B.6 of the Project	3,400,000	40%
(2) Plant, equip- ment, vehicles and spare parts under Parts A.1, A.2, A.5, B.1 and B.2 of the Project	20,600,000	100% of foreign expenditures and 75% of local expenditures
(3) Goods and consul- tants' services under Part A.3 of the Project	400,000	100%
(4) Goods and consul-	4,900,000	100%

tants' services
under Part A.4 of
the Project

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Consultants' services under Parts A.1, A.2, B.2, B.3 and B.5 of the Project	1,700,000	100%
(6) Consultants' services and training under Part A.5 of the Project	9,800,000	100%
(7) Goods and consultants' services under Part B.4 of the Project	11,300,000	100% until \$9,000,000 has been disbursed; 75% until an additional \$2,700,000 has been disbursed; 50% until an additional \$2,000,000 has been disbursed; and 25% thereafter
(8) Unallocated	6,400,000	
TOTAL	58,500,000 =====	

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; and

(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.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to develop the institutional framework and improve the research management systems for agricultural research in Nigeria and to strengthen the research capacity of institutions in Nigeria.

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: Development of Agricultural Research System

1. NACAR: Operation of NACAR (a) to assist in the development of

national policies and priorities, and the allocation of resources, for agricultural research, (b) to advise on the coordination, monitoring and evaluation of their implementation, and (c) to improve the coordination between FMST as the generator and the Federal Ministry of Agriculture and Natural Resources as the user of new agricultural technologies.

2. ASD and NACAR Secretariat: Strengthening the operation of ASD in coordinating, planning and managing agricultural research. Operation of the NACAR Secretariat (a) to provide operational support for NACAR, (b) to monitor and supervise implementation of the Project jointly with other units of ASD, and (c) to support ASD's general coordination, planning and managerial activity. Acquisition by ASD of equipment and vehicles necessary for such operations.

3. National Research Strategy Plan: Preparation of a national research strategy plan (the NRSP) to (a) identify the needs and priorities of agricultural research, and (b) allocate human, financial and other resources of FMST and the Research Institutes to address these needs and priorities.

4. Research Grant Scheme: Development and operation of a research grant scheme to finance grants for qualified Nigerian persons and organizations to conduct agricultural research projects.

5. Program for Human Resource Development: Training of the management, scientific, technical and administrative support staff at ASD, the Research Institutes and selected universities and the acquisition of equipment by such institutions to assist such training; preparation of a human resource development plan (the HRDP) to coordinate such training.

Part B: Strengthening of Research Institutes

1. Rehabilitation of the facilities of the Research Institutes through the repair, replacement and supply of laboratory equipment, vehicles, farm machinery, computers and other equipment.

2. Establishment at Research Institutes of "centers of excellence" for specified fields relating to agricultural research (such as virology, nematology, biological control and integrated pest management, and soil and fertilizer management) and concentration of related manpower and equipment at such centers.

3. Development and implementation of an efficient research information system, including the establishment of a research information center for the exchange of information.

4. Conduct of agricultural research programs, in particular in the following areas: (a) food and fiber crops, (b) tree crops, (c) livestock and fisheries, (d) forestry and the environment, (e) stored products, (f) agro-processing, and (g) soil and water management.

5. Development and operation of an efficient research extension linkage program between researchers and farmers.

6. Completion of construction of additional laboratory and other facilities at selected Research Institutes agreed upon with the Association.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Credits and IDA Credits" published by the Association in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Items or groups of items for goods (other than those goods to be procured to carry out Part B.4 of the Project) estimated to cost the equivalent of \$500,000 or less per contract or for works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods (other than those goods to be procured to carry out Part B.4 of the Project) estimated to cost the equivalent of \$60,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for goods necessary to carry out Part B.4 of the Project may be procured as follows, after approval of the Association in connection with the national agriculture research programs referred to in Section 3.06 of this Agreement or otherwise: (a) items or groups of items for goods estimated to cost the equivalent of \$500,000 or less per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association; (b) items or groups of items for goods estimated to cost the equivalent of \$60,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association; and (c) items or groups of items for goods may be procured under such other procedures as may be approved by the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods or works estimated to cost the equivalent of more than \$500,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

1. Beginning December 31, 1994, the NACAR Secretariat shall operate, under Part A.1 of the Project, an agricultural research management information system to account for the total cost of agricultural research by the Research Institutes.

2. By March 31, 1991, FMST shall have appointed within the NACAR Secretariat, under Part A.1 of the Project, the following three internationally recruited advisors: one research management systems advisor, one research planning advisor for the preparation of the NRSP and one financial management advisor.

3. The NRSP shall be prepared by NACAR, in consultation with the Association, by December 31, 1992, and shall delineate proposals for the succeeding five years. NACAR, FMST and the Association shall meet before March 31, 1993, to determine how to implement the proposals of the NRSP.

4. The Research Grant Scheme referred to in Part A.4 of the Project shall operate as follows:

(a) research proposals shall meet the following criteria to be eligible for a grant:

- (i) the research must be in a priority area as determined by NACAR and in accord with the NRSP (following its completion);
- (ii) the results must likely be of immediate use to farmers;
- (iii) the research must have a reasonable chance of being completed within three years; and
- (iv) the proposal must be technically sound and must sufficiently take into account relevant earlier work;

(b) applications for grants shall be submitted to the NACAR Secretariat, and evaluated and approved by NACAR;

(c) the first ten grants approved by NACAR shall have been previously jointly approved by FMST and the Association;

(d) grants shall not exceed the equivalent of \$50,000 per year, or a total of the equivalent of \$150,000, unless otherwise agreed to by the Association;

(e) any Research Institute, university or any other qualified Nigerian person or organization involved in agricultural research shall be eligible to apply for a grant;

(f) each grant shall be made under an agreement requiring that procurement out of the proceeds of such grant be made in accordance with Schedule 4 to this Agreement;

(g) each grant shall be made under an agreement requiring that proceeds of such grant (i) only be used to finance items or groups of items of goods or services estimated to cost the equivalent of \$10,000 or less, and (ii) not be used to finance any civil works; and

(h) progress under the grants shall be reviewed annually by NACAR and any grant may be cancelled following such review for insufficient progress.

5. The HRDP shall be prepared by ASD, in consultation with the Association, by December 31, 1992, and shall be coordinated with the NRSP.

6. FMST shall:

(a) by December 31, 1991, enter into agreements with at least three universities under which FMST shall finance: (i) the training of staff at the faculties of agriculture at such universities so as to enable such staff, in turn, to train the staff of ASD and the Research Institutes under Part A.5 of the Project; and (ii) the acquisition of equipment, under Part A.5 of the Project, to assist such training; and

(b) beginning on March 31, 1991, adopt annual training plans, agreed upon with the Association and conforming to the HRDP (following its completion), to train staff at ASD and the Research Institutes, including provisions for training outside Nigeria.

7. By December 31, 1991, FMST shall have designated Research Institutes as "centers of excellence," under Part B.2 of the Project, for at least four specified fields and shall reallocate resources to concentrate manpower and equipment for each such field in the correspondingly designated Research Institute.

8. The Borrower shall, under Part B.4 of the Project, only finance out of the proceeds of the Credit those research proposals agreed upon with the Association. All research proposals initiated by the Borrower under Part B.4 of the Project following completion of the NRSP shall be consistent with the plan's recommendations.

9. Beginning June 30, 1993, ASD, in consultation with NACAR, shall establish under Part B.4 of the Project panels (Review Panels), with terms of reference agreed upon with the Association (including participation by internationally recruited experts), and shall cause the Review Panels to conduct reviews of the management and performance of the research programs of at least three Research Institutes each year. The Borrower shall cause each Research Institute to be reviewed: (a) to prepare a report describing its research activities and assemble all relevant documentation for the Review Panel at least three months prior to its review; and (b) to implement any recommendations of the Review Panel. NACAR shall monitor such implementation.

10. Beginning in 1992, the Borrower and ASD shall: (a) prepare two reports each year, one for the first six months of such year and one for the entirety of such year, regarding the status of agricultural research in Nigeria; and (b) send to the Association each such report no later than 60 days following the end of the period covered by such report. ASD, on the basis of these reports, shall exchange views with the Association on the status of agricultural research in Nigeria and shall take into account any comments by the Association regarding the conduct of such research.

11. ASD shall monitor and supervise implementation of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively: (a) for eligible expenditures in accordance with the provisions of this Schedule; or (b) in accordance with paragraph 7 of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(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 (a) of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account (whether directly, or indirectly through any Sub-account in accordance with paragraph 7 of this Schedule) for eligible expenditures.

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

4. For each payment made by the Borrower out of the Special Account:

(a) for an eligible expenditure, the Borrower shall, at such

time as the Association shall reasonably request, furnish to the Association such documents and other evidence (received under paragraph 7 (c) of this Schedule or otherwise) showing that such payment was made exclusively for eligible expenditures; and

(b) in the case of any payment made under paragraph 7 of this Schedule, 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 in accordance with paragraph 7 (a) of this Schedule.

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account or any Sub-account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule, in the case of the Special Account, or was made for an expenditure not eligible pursuant to paragraph 7 of this Schedule, in the case of any Sub-account, or

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

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

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) or (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.

7. (a) The Borrower shall withdraw from the Special Account and deposit into each Sub-account funds to assist the Research Institute beneficiary of such Sub-account to pay for goods and services under Part B.4 of the Project. Such withdrawals and deposits shall be in amounts sufficient to assist each Research Institute, in the manner contemplated by Schedule 1 to this Agreement, to pay for such goods and services in due course, provided that, at no time shall the Borrower cause the amounts held in any Sub-account to exceed the equivalent of \$50,000.

(b) Payments out of any Sub-account shall only be made for eligible expenditures in respect of Category (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) Any withdrawal from any Sub-account must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures provided for under paragraph 3 of this Schedule.

(d) If the Association or the Borrower shall have determined at any time that any amount outstanding in any Sub-account will not be required to cover further payments for eligible expenditures, the Research Institute beneficiary of such Sub-account shall, promptly upon notice from the Association or the Borrower, refund to the Special Account such outstanding amount.

