

CONFORMED COPY

CREDIT NUMBER 1936 PAK
LOAN NUMBER 2973 PAK

(National Oilseed Development Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 21, 1988

CREDIT NUMBER 1936 PAK
LOAN NUMBER 2973 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 21, 1988, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (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 (the Project), has requested the Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to thirty-one million four hundred thousand dollars (\$31,400,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan are made;

(D) the Project will be carried out in part by the Provinces and the Participating Credit Institutions (PCIs), all as herein-after defined, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Provinces and the PCIs a portion of the proceeds of the Credit as provided in this Agreement and a portion of the proceeds of the Loan as provided in the Loan Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, the Bank and the Provinces;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Punjab" means the Province of Punjab, a political subdivision of the Borrower, or any successor thereto;

(b) "Sind" means the Province of Sind, a political subdivision of the Borrower, or any successor thereto;

(c) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower, or any successor thereto;

(d) "Baluchistan" means the Province of Baluchistan, a political subdivision of the Borrower, or any successor thereto;

(e) "Provinces" mean Punjab, Sind, NWFP and Baluchistan collectively, and "Province" means each or any one of the Provinces;

(f) "NCBs" mean collectively the nationalized commercial banks established and operating under the laws of the Borrower, being the National Bank of Pakistan, Habib Bank Limited, United Bank Limited, Muslim Commercial Bank Limited and Allied Bank Limited;

(g) "PBC" means the Pakistan Banking Council established and operating under the Borrower's Banks (Nationalization) Act (No. XIX) of 1974;

(h) "ADBP" means the Agricultural Development Bank of Pakistan established and operating under the Borrower's Agricultural Development Bank Ordinance (No. IV) of 1961, as amended;

(i) "PCIs" mean collectively the Participating Credit Institutions under the Project, being the NCBs and ADBP;

(j) "MINFAC" means the Borrower's Ministry of Food, Agricul-

ture and Cooperatives;

(k) "NOCMU" means the National Oilseed Coordination and Monitoring Unit to be established under the Project pursuant to paragraph 1 (b) of Schedule 5 to this Agreement;

(l) "PAD" means a Provincial Agriculture Department;

(m) "PCMUs" mean collectively the Provincial Coordination and Monitoring Units to be established under the Project pursuant to paragraph 1 (c) of Schedule 5 to this Agreement, and "PCMU" means each and any one of those units;

(n) "PCCs" mean collectively the Provincial Coordinating Committees to be established under the Project pursuant to paragraph 3 of Schedule 5 to this Agreement, and "PCC" means each and any one of those committees;

(o) "GCP" means the Ghee Corporation of Pakistan;

(p) "Project Agreement" means the agreement among the Association, the Bank and the Provinces of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(q) "Subsidiary Loan Agreements" mean collectively the agreements to be entered into between the Borrower and the PCIs pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements;

(r) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(s) "Administration Agreement" means the Agreement to be entered into between the Borrower and PBC pursuant to paragraph 1 (d) of Schedule 5 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Administration Agreement;

(t) "Special Accounts" mean collectively the accounts referred to in Section 2.02 (b) of this Agreement and more fully defined in paragraphs (u) through (z) of this Section, and "Special Account" means each and any such account;

(u) "Borrower's Special Account" means the Special Account which the Borrower shall open and maintain pursuant to Section 2.02 (b) of this Agreement;

(v) "Punjab Special Account" means the Special Account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(w) "Sind Special Account" means the Special Account which Sind shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(x) "NWFP Special Account" means the Special Account which NWFP shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(y) "Baluchistan Special Account" means the Special Account which Baluchistan shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(z) "PBC Special Account" means the Special Account which

PBC shall open and maintain on behalf and for the benefit of the NCBs pursuant to Section 2.02 (b) of this Agreement;

(aa) "O&M" means operation and maintenance;

(bb) "Rs" and "rupees" mean the currency of the Borrower; and

(cc) "FY" and "fiscal year" mean the Borrower's, a Province's or a PCI's fiscal year, as the case may be, covering the period July 1 through June 30.

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 fourteen million five hundred thousand Special Drawing Rights (SDR 14,500,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain, and shall cause the Provinces and PBC to open and maintain, in dollars special accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 1998 and ending March 15, 2023. Each installment to and including the installment payable on March 15, 2008 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 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.

Section 2.09. The Chairman, Planning and Development Board, Punjab, the Additional Chief Secretary (Development), Planning and Development Department, Sind, the Additional Chief Secretary, Planning and Development Department, NWFP, the Additional Chief Secretary, Planning and Development Department, Baluchistan, the Chairman, PBC and the Chairman, ADBP are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions, in respect of the parts of the Project for which they are respectively responsible.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end:

- (i) shall carry out, and shall cause the Provinces and the PCIs to carry out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural practices, and shall provide, and shall cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause the Provinces to perform in accordance with the provisions of the Project Agreement all

the obligations of the Provinces therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Provinces to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out, and shall cause the Provinces and the PCIs to carry out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall make SDR 8,200,000 out of the proceeds of the Credit and \$7,700,000 out of the proceeds of the Loan available to the Provinces under terms and conditions which shall be mutually satisfactory to the Borrower, the Association and the Bank.

(d) The Borrower shall relend SDR 5,600,000 out of the proceeds of the Credit and \$ 22,700,000 out of the proceeds of the Loan to the PCIs under subsidiary loan agreements to be entered into between the Borrower and the PCIs, under terms and conditions which shall have been approved by the Association and the Bank and which shall include the terms and conditions set forth in Schedule 4 to this Agreement.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower, the Association and the Bank and to accomplish the purposes of the Credit and the Loan, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provisions thereof.

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. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the parts of the Project for which they are responsible shall be carried out by the Provinces pursuant to Section 2.03 of the Project Agreement, and by the PCIs pursuant to the provisions of the Subsidiary Loan Agreements.

ARTICLE IV

Financial and Other 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 and the PCIs responsible for carrying out the Project or any part thereof.

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

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made; and
 - (iii) enable the Association's representatives to examine such records.
- (c) The Borrower shall:
- (i) have the records and accounts referred to in paragraphs (a) and (b) (i) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than nine 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, including 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; 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.

Section 4.02. The Borrower shall prepare and implement a plan satisfactory to the Association for strengthening and expanding the procurement system for oilseeds.

Section 4.03. The Borrower shall prepare and implement a plan satisfactory to the Association for periodically reviewing and adjusting the regulatory import duty on edible oil.

Section 4.04. The Borrower shall prepare and implement a plan satisfactory to the Association for periodically reviewing and adjusting the GCP retail price of ghee.

Section 4.05. The Borrower shall ensure that adequate credit will be provided to oilseed farmers under the Project, and, to this end, shall:

(a) permit the NCBS to provide medium-term credit under the Project without regard to the 15% ceiling on such credit imposed by the Borrower's National Credit Consultative Committee; and

(b) cause the State Bank of Pakistan to refinance the short-term credit provided by ADBP under the Project without any restrictions.

ARTICLE V

Remedies of the Association

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

(a) The Provinces shall have failed to perform any of their obligations under the Project Agreement.

(b) The PCIs shall have failed to perform any of their obligations under the Subsidiary Loan Agreements.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable: (i) that the Provinces will be able to perform their obligations under the Project Agreement; and/or (ii) that the PCIs will be able to perform their obligations under the Subsidiary Loan Agreements.

(d) The Agricultural Development Bank Ordinance (No. IV) of 1961, the Banking Companies Ordinance (No. LVIII) of 1962, the Banks (Nationalization) Act, 1974 or the Companies Ordinance (No. XLVII) of 1984 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PCIs to perform any of their obligations under the Subsidiary Loan Agreements or of PBC to perform any of its obligations under the Administration Agreement.

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

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

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

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 PC-1 document for the Project has been approved by the Executive Committee of the National Economic Council;

(b) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(c) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and the PCIs;

(d) the Administration Agreement has been executed on behalf of the Borrower and PBC;

(e) the NOCMU has been established to the satisfaction of the Association;

(f) the PCCs and the PCMUs have been established to the satisfaction of the Association;

(g) the plan referred to in Section 4.02 of this Agreement has been approved by the Borrower;

(h) the plan referred to in Section 4.03 of this Agreement has been approved by the Borrower; and

(i) the plan referred to in Section 4.04 of this Agreement has been approved by the Borrower.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by the Provinces, and is legally binding upon the Provinces in accordance with its terms;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and the PCIs and are legally binding upon the Borrower and the PCIs in accordance with their terms; and

(c) that the Administration Agreement has been duly authorized or ratified by the Borrower and PBC and is legally binding upon the Borrower and PBC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02, 4.03, 4.04 and 4.05 of this Agreement and the provisions of paragraph (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division 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:

Economic Affairs Division
Islamabad
Pakistan

Cable address:

ECONOMIC
Pakistan

Telex:

ECDIV-05-634

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above

written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ M. Afzal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ W. Thalwitz

Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit and of the Loan 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)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	290,000	2,000,000	80%
(2) Motor-cycles, farm, laboratory and office equipment, machinery, tools and farm inputs	580,000	2,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 60% of local expenditures for other items procured locally
(3) Credit			
(a) Short-term	2,680,000	7,700,000	40% of amounts disbursed by the PCIs
(b) Medium/long-term	2,900,000	13,900,000	90% of amounts disbursed by the PCIs
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4) Consul-	3,300,000	1,200,000	100%

	tants' services and train- ing			
(5)	Incre- mental staff salaries and O & M costs	4,000,000	3,500,000	50%
(6)	Unallocated	750,000	1,100,000	
	TOTAL	14,500,000	31,400,000	

2. For the purposes of this Schedule:

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

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

(c) the term "incremental staff salaries and O&M costs" means with respect to staff salaries, expenditures on account of the salaries of new staff assigned to undertake extension, research, seed multiplication and project management and coordination activities under the Project and, with respect to O&M costs, the recurrent expenditures related to such activities.

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 (a) to substantially increase the production of oilseed, particularly non-traditional oilseed, and as a consequence (b) to reduce imports of edible oil and meal.

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: Oilseed Research

1. Strengthening of oilseed research facilities both at (a) the national and (b) the provincial levels, through the construction and/or improvement of physical facilities and provision of staff, equipment, technical assistance and training.

2. Improvement of linkages between oilseed research and agricultural extension through (a) outreach trials undertaken, in cooperation with extension services, at government farms and on private farmers' fields, and (b) training.

Part B: Agricultural Extension

Strengthening and/or expansion of the Training and Visit (T & V) system of agricultural extension, with emphasis on oilseed production, through the construction and/or improvement of physical facilities and provision of specialist and other staff, vehicles (including motorcycles) and equipment, technical assist-

ance and training.

Part C: Oilseed Multiplication/Processing

1. Strengthening of the provincial seed production and oilseed multiplication facilities through the construction and/or modification of processing and storage facilities, and provision of staff, vehicles and equipment, incremental operating inputs, technical assistance and training.

2. Strengthening of the national seed certification capacity through the provision of staff and vehicles.

Part D: Oilseed Farmer Credit

1. Provision of credit to oilseed farmers for (a) agricultural inputs, including seed, fertilizer, pesticide, hired labor, fuel and machinery repair (short-term credit), and (b) equipment, including planters, ridgers and threshers (medium/long-term credit).

2. Provision to the NCBs of staff (agricultural credit officers), vehicles (including motorcycles), technical assistance and training.

Part E: Project Coordination and Monitoring

Provision of professional, technical and support staff, vehicles, office equipment and operating inputs for establishment of project coordination and monitoring units both at (i) the national and (ii) the provincial levels.

Part F: Technical Assistance

Provision of technical assistance in carrying out a review of solvent oil extraction plants preparatory to their balancing, modernization and/or rehabilitation.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Pakistan 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. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Farm, laboratory and office equipment, tools, implement and farm inputs estimated to cost the equivalent of \$20,000 to \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Farm, laboratory and office equipment, tools, implements and farm inputs estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a 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 such 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 a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to the Development Credit Agreement.

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

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, the Provinces and the PCIs in carrying out the Project, the Borrower, the Provinces and the PCIs 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

Financing Terms and Conditions

1. For Re-lending by Borrower to PCIs

Unless otherwise agreed by the Association and the Bank, the proceeds of the Credit and of the Loan shall be relented by the Borrower to the PCIs pursuant to Section 3.01 (d) of the Development Credit Agreement, inter alia, on the following terms and conditions:

(a) with respect to the proceeds of the Credit, an interest rate of 5% per annum or equivalent, a repayment period of 15 years including a grace period of 3 years, and, for the purpose of repayment, the principal amount of the loan to be the aggregate equivalent of the amounts in various currencies withdrawn from the Credit Account expressed in rupees determined as of the respective dates of withdrawal; and

(b) with respect to the proceeds of the Loan, the variable interest rate charged by the Bank or equivalent, a repayment period of 15 years including a grace period of 3 years, and, for the purpose of repayment, the principal amount of the loan to be the aggregate equivalent of the amounts in various currencies withdrawn from the Loan Account expressed in rupees determined as of the respective dates of withdrawal.

2. For On-lending by PCIs to Farmers/Farmers' Groups

Unless otherwise agreed by the Borrower, the Association and the Bank, the proceeds of the Credit and of the Loan relented by the Borrower to the PCIs pursuant to Section 3.01 (d) of the Development Credit Agreement shall be on-lent by them to oilseed farmers under Part D.1 of the Project on terms and conditions which shall include:

(a) with respect to the proceeds of the Credit and of the Loan on-lent by the NCBs, a rate of return of not less than 13% per annum for short-term credit and a rate of return of not less than 11% per annum for medium/long-term credit, plus in both cases a charge of 3% of each installment due, which charge may be waived in cases where installments are paid within one month of the due date; and

(b) with respect to the proceeds of the Credit and of the Loan on-lent by ADBP, a rate of return of not less than 12% per annum both for short- and medium/long-term credit, plus a charge of 3% of each installment due, which charge may be waived in cases where installments are paid within one month of the due date.

SCHEDULE 5

Implementation Program

1. Project Coordination and Monitoring

(a) Responsibility for coordinating and monitoring Project activities shall be assigned: (i) to MINFAC, at the national level and with respect to ADBP, (ii) to a PAD, at each provincial level; and (iii) to PBC, with respect to the NCBs.

(b) To assist MINFAC in discharging its responsibility under paragraph (a) above, a National Oilseed Coordination and Monitoring Unit (NOCMU) shall be established by the Borrower. The NOCMU shall be headed by the Commissioner, Special Crops and shall include the Deputy Agricultural Development Commissioner and the Assistant Agricultural Development Commissioner, assisted by the necessary technical and support staff. The NOCMU shall, inter alia: (i) establish and maintain close links with MINFAC's Oilseeds Development Board, which is responsible for developing policy for, and overseeing, oilseed development programs; (ii) coordinate and monitor the project activities and programs of the Provinces; (iii) develop consolidated annual work plans based on inputs from each Province; (iv) prepare and submit to the Association consolidated quarterly and annual project progress reports; (v) prepare reports and papers for and participate in the progress

reviews referred to in paragraph 5 of this Schedule; (vi) maintain regular and frequent contact with agencies such as GCP and with private sector oilseed processors and ghee manufacturers, fertilizer, seed and pesticide distributors and the PCIs so as to ensure timely availability of farm inputs and procurement of oilseeds from farmers; and (vii) on a regular basis, review with the Provincial Coordination and Monitoring Units (PCMUs) referred to in sub-paragraph (c) of this paragraph the policies and procedures for provision of farm inputs and procurement of oilseeds.

(c) To assist each PAD in discharging its responsibility under paragraph (b) above, a Provincial Coordination and Monitoring Unit (PCMU) shall be established by each Province. Each PCMU shall be headed by a Director, with qualifications and experience satisfactory to the Association, assisted by the necessary technical and support staff. Each PCMU shall, inter alia: (i) coordinate and monitor the project activities of the line agencies responsible for carrying out the Project; (ii) develop annual work plans; (iii) prepare and submit to the NOCMU quarterly and annual project progress reports; and (iv) participate in the progress reviews referred to in paragraph 5 of this Schedule.

(d) To enable PBC to discharge its responsibility under paragraph (a) above and to administer the PBC Special Account, the Borrower shall enter into an Administration Agreement with PBC on terms and conditions satisfactory to the Association.

2. Project Implementation

Specific responsibility for implementation of the Project shall be assigned as follows:

(a) for Part A.1 (a) of the Project, to the Pakistan Agricultural Research Council (PARC);

(b) for Part A.1 (b) and Part A.2 of the Project, each PAD acting through the provincial agricultural research institute concerned;

(c) for Part B of the Project, to each PAD;

(d) for Part C.1 of the Project, to each PAD acting, wherever a provincial seed agency exists, through such agency:

(e) for Part C.2 of the Project, to the Federal Seed Certification Department (FSCD);

(f) for Part D.1 of the Project, to the PCIs;

(g) for Part D.2 of the Project, to the NCBS;

(h) for Part E (i) of the Project, to MINFAC;

(i) for Part E (ii) of the Project, to each PAD; and

(j) for Part F of the Project, to MINFAC.

3. Provincial Coordination. A Provincial Coordinating Committee (PCC) shall be established by each Province, composed of the Secretary of Agriculture of the Province as chairman, and the heads of the provincial agencies responsible for carrying out the Project and representatives of GCP and the PCIs, all as members. Each PCC shall meet from time to time, especially prior to each planting and each harvesting season, to ensure the availability of farm inputs and services and the procurement of crops.

4. Use of Pesticides. The Borrower shall: (a) not later than September 30, 1989, complete a review to establish suitable practices for use of pesticides, including those related to choice, handling and storage of pesticides, in connection with the principal oilseeds developed under the Project; and (b) thereafter promote those practices in the Project areas through the extension services to be strengthened under Part B of the Project.

5. Progress Reviews. For the purposes of Section 9.06 of the General Conditions applicable to the Development Credit Agreement and Section 9.07 of the General Conditions applicable to the Loan Agreement, the NOCMU and each PCMU shall carry out: (a) annual reviews, and (b) in consultation with the Association, comprehensive reviews, at the end of the third and the fifth years of the Project, of progress under the parts of the Project for which they are respectively responsible.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories set forth in the table in paragraph 1 of Schedule 1 to the Development Credit 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 or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means, in respect of the Borrower, an amount equivalent to \$200,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the Borrower's Special Account, in respect of Punjab, an amount equivalent to \$400,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the Punjab Special Account, in respect of Sind, an amount equivalent to \$300,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the Sind Special Account, in respect of NWFP, an amount equivalent to \$300,000 to be withdrawn from the Credit Account or the Loan account and deposited in the NWFP Special Account, in respect of Baluchistan, an amount equivalent to \$200,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the Baluchistan Special Account, and in respect of the NCBs, an amount equivalent to \$600,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the PBC Special Account, all pursuant to paragraph 3(a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, for a deposit or deposits which add up to the aggregate amount of the relevant Authorized Allocation, the Association shall, on behalf of the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, shall have requested.

(b) The Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the

amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

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

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

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for the relevant parts of the Project, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to those parts of the Project, shall be equal to the equivalent of twice the amount of the relevant Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the relevant parts of the Project shall follow such procedures as the Association shall specify by notice to the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be. 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 relevant 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 a Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Association, the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, shall, promptly upon notice from the Association deposit into such Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into such Special Account shall be made until the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower, Punjab, Sind, NWFP, Baluchistan or PBC, as the case may be, shall, promptly upon notice from the Association, refund to the Association or the Bank such outstanding amount for crediting to the Credit Account or the Loan Account, as the case may be.

