

CONFORMED COPY

CREDIT NUMBER 1929 TO

(Cotton Sector Development Project)

between

REPUBLIC OF TOGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 13, 1989

CREDIT NUMBER 1929 TO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 13, 1989, between REPUBLIC OF TOGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to contract from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount of six million four hundred thousand French Francs (FF 6,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(C) the Borrower intends to contract from the Republic of France, acting through the Fonds d' Aide et de Cooperation (FAC) a

grant (the FAC Grant) in an amount of one million eight hundred forty thousand French Francs (FF 1,840,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC; and

(D) the Project will be carried out by SOTOCO with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SOTOCO the proceeds of the Credit as provided in this 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 between the Association and SOTOCO;

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) "Project Agreement" means the agreement between the Association and SOTOCO 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;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SOTOCO pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "Special Account" means the account referred to in Section 2.01 (b) of the Project Agreement;

(d) "Project Account" means the account referred to in Section 2.01 (b) of the Project Agreement;

(e) "FPSF" means the Floor Price Support Fund referred to in Section 3.04 (d) of this Agreement;

(f) "GAV" means Groupement Agricole Villageois, i.e., cooperative associations established by farmers to carry out operations of common interest such as input distribution, credit recovery and storage;

(g) "SOTOCO" means Societe Togolaise du Coton, a public enterprise of the Borrower established and operating pursuant to Decree No. 74-67, dated March 27, 1974 of the Borrower;

(h) "IRCT" means the Borrower's Institute for Cotton and Textile Research;

(i) "OPAT" means the Office des Produits Agricoles du Togo, an agency of the Borrower, established and operating pursuant to Decree No. 64-01, dated June 22, 1964 of the Borrower;

(j) "CFAF" means the currency of the Borrower;

(k) "Mechanism" means the mechanism for setting up cotton producer price and for distributing cotton sector revenues referred to in Section 3.04 (d) of this Agreement; and

(l) "FRI" means le Fonds de Roulement Insecticides referred to in Section 2.01 (e) of the Project 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 ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000).

Section 2.02. 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.

Section 2.03. The Closing Date shall be June 30, 1993 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; 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 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 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1, commencing September 1, 1998 and ending March 1, 2028. Each installment to and including the installment payable on March 1, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. SOTOCO is designated as representative 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.

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause SOTOCO to perform in accordance with the provisions of the Project Agreement all the obligations of SOTOCO 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 SOTOCO to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall: (i) relend the proceeds of the Credit which may be allocated from time to time to Category (1) (a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement to SOTOCO under a subsidiary loan agreement to be entered into between the Borrower and SOTOCO, under terms and conditions which shall have been approved by the Association which shall include interest at the rate of 6 percent per annum and a repayment period of 20 years including a grace period of 5 years; and (ii) make the proceeds of the Credit which may be allocated from time to time to Categories (1) (b) through (5) of the aforementioned table available to SOTOCO as a grant.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision 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 1 to the Project 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) shall be carried out by SOTOCO pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall:

(a) unless as shall be otherwise agreed with the Association and depending on field and financial results, phase out all insecticide subsidies by May 1, 1992;

(b) (i) each year the Project is being implemented, make budgetary allocations sufficient to cover the cost of public service activities such as extension services and agricultural research being carried out by SOTOCO on behalf of the Borrower; (ii) by June 1 of each year submit to the Association for its approval the draft budgetary allocations referred to in subparagraph (i) above; and (iii) by the first day of each calendar quarter, promptly deposit the quarterly amount so required in the Project Account;

(c) take all necessary measures required on its part: (i) to permit SOTOCO to be managed as an autonomous, industrial and commercially oriented enterprise; and (ii) to ensure that, by December 31, 1992, all public service activities presently being carried out by SOTOCO shall be actually transferred to appropriate departments or agencies of the Borrower in accordance with an action plan acceptable to the Association; said action plan shall be reviewed with the Association no later than January 1, 1992; and

(d) (i) ensure that cotton producer price and cotton export revenues distributed among all parties concerned shall be determined in accordance with the price setting mechanism agreed upon with the Association; (ii) establish a Floor Price Support Fund aimed at ensuring a floor producer price for cotton; and (iii) ensure that FPSF shall be managed in accordance with by-laws and regulations acceptable to the Association; any proposed disbursement out of FPSF shall be made in agreement with the Association.

Section 3.05. Except as shall be otherwise agreed with the Association, the Borrower shall not authorize any increase of its ginning capacity before the full utilization of the following ginneries: i.e., SOTOCO, Notse, Kara and Talo (about 150,000 tons) has been fully ensured.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) SOTOCO shall have failed to perform any of its obligations under the Project Agreement.

(b) 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 that SOTOCO will be able to perform its obligations under the Project Agreement.

(c) Decree No. 74-67, dated March 27, 1974 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SOTOCO to

perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SOTOCO or for the suspension of its operations.

(e) FPSF's by-laws or regulations shall have been amended, suspended, abrogated, repealed or waived without prior approval by the Association.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower and of SOTOCO to withdraw the proceeds of any grant or loan made to the Borrower or SOTOCO for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower or SOTOCO establishes to the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or SOTOCO to perform any of its obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower or SOTOCO from other sources on terms and conditions consistent with the obligations of the Borrower or SOTOCO under this Agreement and under the Project Agreement.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) 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;

(b) any event specified in paragraphs (c) or (d) of Section 4.01 of this Agreement shall occur; and

(c) the events specified in paragraph (f) (i) (B) of Section 4.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of that paragraph.

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:

(a) the Borrower has: (i) taken measures satisfactory to the Association, for setting up a mechanism for determining cotton producer prices; and (ii) revised SOTOCO's statutes in a manner satisfactory to the Association;

(b) SOTOCO has raised the selling price of cotton insecticides to 25 percent of the full cost of such insecticides;

(c) the Subsidiary Loan Agreement has been executed on

behalf of the Borrower and SOTOCO;

(d) the Borrower has deposited an amount of eighty million CFAF (CFAF 80,000,000) into the Project Account; and

(e) all conditions precedent to the effectiveness of, or initial disbursements under, the CCCE Loan Agreement and the FAC Grant Agreement have been fulfilled save the effectiveness of this Agreement.

Section 5.02. 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 SOTOCO, and is legally binding upon SOTOCO in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SOTOCO and is legally binding upon the Borrower and SOTOCO in accordance with its terms.

Section 5.03. 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.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the minister of the Borrower responsible for economy and finance 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:

Ministere de l'Economie et des Finances
Lome
Republic of Togo

Cable address:	Telex:
MINFIE Lome Togo	5286

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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.

REPUBLIC OF TOGO

By /s/ Ellom-Kodjo Schuppius
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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:		
(a) Part A (7) of the Project	2,297,000	100%
(b) Part B (2) of the Project	332,000	100%
(2) Equipment and vehicles	771,000	100%
(3) Consultants' services	445,000	100%
(4) Agricultural inputs	3,090,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Operating costs:		
(a) for Parts B (1) and E (5) of the Project	200,000	100%
(b) for other Parts of the Project	2,672,000	80% up to December 31, 1989; 60% up to December 31, 1990; 40% up to

December 31,
1991; and 20%
thereafter

(6) Unallocated	1,093,000
	<hr/>
TOTAL	10,900,000

2. For the purposes of this Schedule, the term "operating costs" means expenditures incurred by SOTOCO, inter alia, for incremental salaries for extension staff, incentive premiums, office supplies, vehicle maintenance, project-related travel and expenditures for the pest scouting program.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 44,800 may be made in respect of Category (3) on account of payments made for expenditures before that date but after November 1, 1987; and (b) in respect of payments made under Category (4) unless the Association has received evidence satisfactory to it that the FPSF referred to in Section 3.04 (d) (ii) of this Agreement has been established.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to increase farmers' revenues; (b) to maximize the return of previous investments already made in the Cotton Sector; (c) to increase the efficiency of the Sector; and (d) improve the mechanism for setting up producer prices and distributing revenues from the sector.

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: Agricultural Support Services

1. Design and delivery to farmers of extension messages aimed at increasing the production and productivity of cotton, foodcrops and livestock, including necessary measures to protect the environment.
2. Training of extension agents in the efficient use of the Training/Visit extension methodology.
3. Promotion of animal traction.
4. Establishment and support of GAV's operations.
5. Introduction of new high yield cotton varieties and production of improved cotton and foodcrop seeds.
6. Acquisition and distribution of agricultural inputs.
7. Construction of a cotton warehouse in Lome.

Part B: Research

1. Adaptive research relating, inter alia, to: (a) development and dissemination of high yield/high ginning-out capacity cotton varieties; and (b) development of improved foodcrop varieties and weed and pest control techniques.
2. Construction of a small IRCT research ginnery and acquisition of related equipment and inputs.

Part C: Feeder Road maintenance

Routine maintenance of about 3,000 kms of feeder roads in the cotton areas.

Part D: Training

Training of SOTOCO's staff in the following fields: agriculture, finance, computer use, adaptive research, personnel and facilities management.

Part E: Strengthening of Operations in the Cotton Sector

Implementation of an action program including: (i) phasing out subsidies granted to farmers for agricultural inputs; (ii) reducing SOTOCO's transport fleet; (iii) establishing a mechanism allowing flexibility of producer prices, and establishing of FPSF; (iv) streamlining of marketing operations; and (v) implementing a staff incentives premium program.

* * *

The Project is expected to be completed by December 31, 1992.
