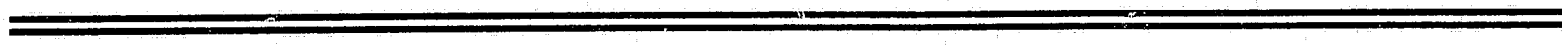


CONFORMED COPY



CREDIT NUMBER 741 TO

# Development Credit Agreement

(Rural Development Project in Cotton Areas)

between

REPUBLIC OF TOGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 5, 1977



Public Disclosure Authorized

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 5, 1977, between REPUBLIC OF TOGO (hereinafter sometimes called the Borrower or Togo) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Borrower intends to contract from the Fonds d'Aide et de Coopération of the French Republic (hereinafter called FAC) a grant in an amount of about CFAF 1,250,000,000 (hereinafter called the FAC grant) to assist in financing the Project on the terms and conditions set forth in an agreement (hereinafter called the FAC convention de financement) to be entered into between the Borrower and the French Republic;

(C) Parts A, B, C, E and F of the Project will be carried out by Société Togolaise du Coton (hereinafter called SOTOCO) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SOTOCO, a portion of the proceeds of the Credit as hereinafter provided; 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 hereinafter set forth 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 parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "1974 Decree" means the Borrower's Decree No. 74-67 of March 27, 1974 providing for the establishment and the operation of SOTOCO, as such decree may be amended from time to time.

(b) "CNCA" means Caisse Nationale de Crédit Agricole, a credit institution of the Borrower established in 1967 to provide credit for the agricultural sector, or any successor thereto.

(c) "Centre Polyvalent" means an experimental farm used as a seed multiplication center and for field trials and observation plots.

(d) "Incremental fertilizers and insecticides" means, unless the context otherwise requires, the extent to which such fertilizers and insecticides for the year under consideration exceed such fertilizers and insecticides for the last preceding year.

(e) "Project Monitoring and Evaluation Unit" means the project monitoring and evaluation unit established pursuant to Section 3.08 (b) of the Development Credit Agreement dated June 16, 1976, between the parties hereto.

(f) "Special Account" means the account to be established pursuant to Section 3.01 (c) hereof.

(g) "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 to the Project Agreement and all agreements supplemental thereto.

(h) "CFA Francs" and "CFAF" mean the currency of the Borrower.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement

set forth or referred to, an amount in various currencies equivalent to fourteen million dollars (\$14,000,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, 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. Except as the Association shall otherwise agree, contracts for the purchase of goods or for civil works required for the Project and to be financed out of the proceeds of the Credit and for the purchase of all fertilizers and insecticides required for the Project, shall be procured in accordance with the provisions set forth or referred to in Section 2.02 of the Project Agreement.

Section 2.04. The Closing Date shall be June 30, 1982 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 1988 and ending July 15, 2027, each installment to and including the installment payable on July 15, 1997, to be one-half of one per cent ( $1/2$  of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1-1/2\%$ ) of such principal amount.

Section 2.08. The currency of the French Republic 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 shall carry out Part D of the Project, with due diligence and efficiency, under competent management and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose. The Borrower shall monitor and evaluate the execution of the Project through the Project Monitoring and Evaluation Unit and shall for that purpose, on or before September 30, 1977 (unless the Association shall otherwise agree) expand the responsibilities of the Project Monitoring and Evaluation Unit in a manner satisfactory to the Association.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause SOTOCO to perform in accordance with the provisions of the Project Agreement all the obligations 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. In particular the Borrower shall make available to SOTOCO on or before September 30, 1977, (or such other date as the Association may agree), for the purpose of Part B of the Project, three Centres Polyvalents, respectively located at Ebeva near Atakpame in the Plateaux region, Kitangbao in the Centrale region and Barkoissi in the Savanna region, provided with inter alia all land, buildings and stores required therefor and supplied with machinery and equipment also required therefor.

(c) The Borrower shall make a portion of the proceeds of the Credit available to SOTOCO, as and when needed for the timely carrying out of Parts A, B, C, E and F of the Project, and under terms and conditions which shall have been approved by the Association. Such terms and conditions shall include inter alia: (i) the opening with CNCA and, thereafter, the maintenance of a Special Account to be used by SOTOCO as a revolving fund for the procurement of fertilizers and insecticides under the Project; (ii) the deposit into such account of an initial amount of CFAF 300,000,000; and (iii) the annual replenishment of such account, not later than September 30 of each year, at a level sufficient to cover the difference between the cost to SOTOCO of

the fertilizers and insecticides actually delivered by SOTOCO during the year and the price paid therefor by the farmers concerned under the Project.

Section 3.02. The Borrower shall construct, or cause to be constructed, about 64 wells required for the Project promptly after obtaining the funds to be made available by the Fonds Européen de Développement to the Borrower under the proposed village wells program; it being understood that, if such funds are not made available to the Borrower in due course, the Borrower shall take all appropriate alternative action to make such funds available for that purpose.

Section 3.03. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

Section 3.04. The Borrower shall, within a reasonable time limit after the date hereof, take all steps necessary to enable SOTOCO to provide its extension activities to foodcrop cultivation in the cotton areas referred to in the Description of the Project (Schedule 2 hereto) and inform the Association, as and when such steps shall have been taken.

Section 3.05. As from the date hereof the Borrower shall set, for any given season for seedcotton marketing, the barème applicable to seedcotton at a level sufficient to enable SOTOCO to meet all its estimated expenditures for such season (including, without limitation, those pertaining to its marketing and extension services activities).

Section 3.06. Except as the Association shall otherwise agree, the Borrower shall cause all goods and services for Part D of the Project, financed out of the proceeds of the Credit, to be used exclusively for the Project.

Section 3.07. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the terms of reference and reports for Part D of the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of Part D of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in Part D of the Project; (ii) shall enable the Association's accredited representatives to visit the facilities included in Part D of the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning Part D of the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

#### ARTICLE IV

##### Other Covenants

Section 4.01. For the purpose of following a price policy aiming at progressively reflecting the full cost of farm inputs such as fertilizers and insecticides in the prices charged to farmers for said inputs, the Borrower shall, at least once a year, exchange views with the Association on such cost and prices.

Section 4.02. The Borrower shall: (a) cause all feeder roads financed under Part E of the Project, to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with appropriate engineering practices; (b) cause all feeder road maintenance equipment and workshops of the Borrower required therefor to be adequately maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with appropriate engineering practices; and (c) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

Section 4.03. As from the date hereof, the Borrower shall, at all times, set the farm gate price applicable to seedcotton, on a yearly basis, at a level sufficient to provide adequate incentives to seedcotton growers and, at least once a year, exchange views with the Association on the foregoing.

Section 4.04. The Borrower shall pay to SOTOCO an amount per ton of seedcotton processed at the Lama-Kara gin sufficient to cover SOTOCO's operating costs and depreciation related thereto.

Section 4.05. On or before December 31, 1979 (or such other date as the Association may agree) the Borrower shall cause to

be constructed, installed and made operational additional ginning capacity sufficient to process, at such time, the aggregate cotton production of Togo and, thereafter, the Borrower shall ensure that the ginning capacity in Togo be maintained at a level sufficient to process, at all times, the cotton production of Togo.

Section 4.06. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of Part D of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof, namely, that:

(a) SOTOCO shall have failed to perform any covenant, agreement or obligation of SOTOCO under the Project Agreement;

(b) 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) The 1974 Decree of the Borrower shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of SOTOCO to carry out the covenants, agreements and obligations set forth in 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; and

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

The right of the Borrower to withdraw the proceeds of the FAC grant made available to the Borrower shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.



- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of SOTOCO under the Project Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof, namely, that:

(a) any 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 and SOTOCO; and

(b) any event specified in paragraphs (c) and (d) 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, namely, that:

(a) the execution of the Project Agreement on behalf of SOTOCO has been duly authorized by all necessary corporate action;

(b) the Association has been notified by FAC that all conditions precedent to the initial disbursement under the FAC convention de financement, if any, save for the effectiveness hereof, have been fulfilled;

(c) the Borrower has made available to SOTOCO for fiscal year 1977 financial resources in an amount not less than CFAF 275,000,000 and has furnished to the Association evidence thereof satisfactory to the Association; and

(d) the Special Account has been established with an initial deposit of CFAF 300,000,000 and the Borrower has furnished to the Association evidence thereof satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Project Agreement has been duly authorized by SOTOCO, and is legally binding upon SOTOCO in accordance with its terms.

Section 6.03. The date January 3, 1978, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 3.01 (c) and 3.05 and Article IV of this Agreement and the provisions of paragraphs (a) and (b) or Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Ministre des Finances et de l'Economie of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

For the Borrower:

Ministère de l'Economie et des Finances  
Lomé  
Togo

Cable address:

Telex:

MINIFINANCES  
Lomé

9865286

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 representatives thereunto duly authorized, 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/ Messanvi Kokou Kekeh  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger Chaufournier  
Regional Vice President  
Western 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 amount of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be financed</u>
(1) Buildings, furniture, and vehicles and equipment for road construction, ox-drawn demonstrations, field trials, research and training under Parts A, B, C and E of the the Project	4,200,000 ) ) ) ) ) ) ) )	
(2) Staff salaries and operating costs under Parts A, B and E of the Project	5,500,000 ) ) ) )	56%
(3) Staff salaries and operating costs under Part D of the Project	100,000 ) ) )	
(4) Incremental fertilizers and insecticides under Part F of the Project	2,300,000 ) ) ) )	
(5) Unallocated	1,900,000 ) )	
	<hr/>	
<b>TOTAL</b>	<b>14,000,000</b> <hr/> <hr/>	

2. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the

Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

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.

4. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

5. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

## SCHEDULE 2

### Description of the Project

The Project, which includes areas with cotton-growing potential in the Savanna, Kara, Centrale and Plateaux regions of Togo, consists of the following Parts:

#### Part A:

Strengthening of SOTOCO, by providing: (i) investments for SOTOCO headquarters, storage facilities, housing, vehicles, and equipment for ox-drawn cultivation, for field trials and seed multiplication, and for training; and (ii) additional management and field staff and operating expenses for carrying out Parts B, C, E and F of the Project.

#### Part B:

Establishment of a seed-multiplication system and carrying-out adaptive field trials.

#### Part C:

Provision of ox-cultivation training and credit to farmers for acquisition of ox-drawn equipment.

#### Part D:

Expansion of the responsibilities of the Project Monitoring and Evaluation Unit.

#### Part E:

Construction and improvement of about 700 km of feeder roads and maintenance and repairs thereof.

#### Part F:

Provision of incremental fertilizers and insecticides to expand improved cotton planting by 20,000 ha, improved maize by 13,700 ha, improved sorghum by 7,500 ha, and improved groundnuts by 2,700 ha.

\* \* \*

The Project is expected to be completed by December 31, 1981.