

CONFORMED COPY

CREDIT NUMBER 1877 BEN

(Second Borgou Rural Development Project)

between

PEOPLE'S REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 25, 1988

CREDIT NUMBER 1877 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 25, 1988, between PEOPLE'S REPUBLIC OF BENIN (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 Association has received a letter dated December 24, 1987 from the Borrower describing a program of action, objectives and policies designed to achieve structural adjustment of the Borrower's cotton sector (the Program) as a first phase of structural adjustment of the agriculture sector, declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed inputs and factory spares required during such execution;

(C) the Borrower intends to contract from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an approximate amount of one hundred twenty-five million French Francs (FF 125,000,000) 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;

(D) the Borrower intends to contract from Banque Ouest Africaine de Developpement (BOAD) a loan (the BOAD Loan) in an approximate amount of two billion one hundred million CFA Francs (CFAF 2,100,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the BOAD Loan Agreement) to be entered into between the Borrower and BOAD;

(E) the Borrower intends to contract from International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an approximate amount equivalent to seven million nine hundred fifty thousand Special Drawing Rights (SDR 7,950,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower and IFAD; 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;

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

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

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 24, 1986, January 6, 1987 and January 20, 1987, between the Borrower and the Association;

(d) "CFA Franc" or "CFAF" means the Franc de la Communauté Financière Africaine, the common currency of the Borrower and the other members of the West African Monetary Union;

(e) "MDRAC" means the Ministère du Développement Rural et de l'Action Cooperative, the Borrower's ministry responsible for rural development and cooperative action, or any successor thereto;

(f) "CARDERS" means the Centres d'Action Régionale pour le Développement Rural established in each of the Borrower's Provinces pursuant to the Borrower's Ordinance No. 75-84 dated December 29, 1975;

(g) "CARDER Statutes" means the Statutes of the CARDERs approved by the Borrower's Decree No. 84-82 dated January 27, 1984, as such Statutes may be amended from time to time;

(h) "CARDER Borgou" means the CARDER responsible for the Borgou Province;

(i) "SONAPRA" means Société Nationale pour la Promotion Agricole, a public enterprise established pursuant to the Borrower's Law No. 82-008 dated December 30, 1982, and "SONAPRA Statutes" means the Statutes of SONAPRA approved by the Borrower's Decree No. 83-77 dated March 4, 1983, as such Statutes may be amended from time to time;

(j) "Stabilization Fund" means Fonds de Stabilisation et de Soutien des Prix des Produits Agricoles, a public entity established and operating pursuant to the Borrower's Decree No. 87-431 dated December 29, 1987, and "Management Committee" means the Committee responsible for the management of the Stabilization Fund and assisted by a permanent secretariat;

(k) "Management Assistance Contract" means any agreement concluded by SONAPRA with another party or parties pursuant to Section 5.03 of this Agreement;

(l) "SRDR" means the Service des Routes de Desserte Rurales, or any successor thereto, within the directorate of roads and bridges of the Borrower's ministry

responsible for equipment and transport;

(m) "URP-Ina" means MDRAC's research and production unit for foodcrop located at Ina; and

(n) "RCF" means MDRAC's cotton research agency.

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 fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Parts A (a) and (c), B (b), C (a), and G of the Project, open and maintain in CFAF a special account in the Cotonou Branch of the Central Bank for West African Countries on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1992 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15, commencing July 15, 1998 and ending January 15, 2028. Each installment to and including the installment payable on January 15, 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 Republic of France is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

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

- (i) cause CARDER Borgou to carry out Parts A (a) and (c), C, D, E (a), (b) and (c) and G (a) of the Project; together with SONAPRA, Part A (b) of the Project; together with SRDR, Part F of the Project; and together with SONAPRA, CARDER Atacora and CARDER Zou, Part G (c) of the Project;
- (ii) carry out Part B (a) and (b) of the Project through URP-Ina and RCF, respectively;
- (iii) cause SONAPRA to carry out Parts G (b) and H of the Project;
- (iv) cause the Stabilization Fund to carry out Part G (e) of the Project; and
- (v) carry out Parts E (d) and G (d) and (f) of the Project through MDRAC;

all with due diligence and efficiency and in conformity with appropriate agricultural, administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make available, on a grant basis, the proceeds of the Credit allocated to the various Categories of the table set forth in paragraph 1 of Schedule 1 to this Agreement as follows:

- (i) to CARDER Borgou, the proceeds allocated to Categories (1), (2) (a), (3) (a) and (4) (a);
- (ii) to RCF, the proceeds allocated to Categories (2) (b), (3) (b) and (4) (b);
- (iii) to the Stabilization Fund, the proceeds allocated to Categories (2) (d), (3) (d) and (4) (d); and
- (iv) to MDRAC, the proceeds allocated to Categories (2) (c), (3) (c) and (4) (c).

(c) The Borrower shall under a financing agreement to be entered into between the Borrower, SONAPRA and the Stabilization Fund under terms and conditions which shall have been approved by the Association:

- (i) relend a portion of the proceeds of the Credit allocated to Category (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement to the Stabilization Fund in an amount equivalent to CFAF 600,000,000, with repayment terms over fifteen

years including a five-year grace period and an annual interest rate of four percent (4%) on the principal amount withdrawn and outstanding, the foreign exchange risk being borne by the Borrower;

(ii) make available, on a grant basis, to the Stabilization Fund the remaining portion of the proceeds of the Credit allocated to said Category (5); and

(iii) require: (A) the Stabilization Fund to advance the above-mentioned funds to SONAPRA for the acquisition of inputs and factory spares for which the proceeds of the Credit have been allocated to said Category (5); and (B) SONAPRA to use the funds generated by the sale of said inputs and factory spares to write off debts owed SONAPRA by the CARDERS and reimburse debt owed the Stabilization Fund by SONAPRA, all on terms and conditions satisfactory to the Association.

(d) The Borrower shall exercise its rights under the financing agreement referred to in above paragraph (c) 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 financing agreement or any provision thereof.

Section 3.02. Without any limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) establish and maintain a Project Account in a bank on terms and conditions satisfactory to the Association to be used exclusively for the purpose of meeting expenditures under Parts A (a) and (c), B (b), C (a) and G of the Project not financed out of the proceeds of the Credit; and

(b) deposit or cause to be deposited in the Project Account, promptly before the beginning of each quarter of its fiscal year, the Borrower's contribution towards expenditures under Parts A (a) and (c), B (b), C (a) and G of the Project during such quarter.

Section 3.03. 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 4 to this Agreement.

Section 3.04. (a) The Borrower shall cause:

(i) CARDER Borgou, SONAPRA, the Stabilization Fund, RCF and URP-Ina to furnish, not later than December 31 of each year, to the Association for its review and comments their proposed overall annual work programs and budgets. Said programs for CARDER Borgou, RCF and URP-Ina shall include joint activities between them; and

(ii) SONAPRA to review and update its annual working agreement with each of the CARDERS referred to in Section 7.01 (a) of this Agreement and to furnish it, not later than September 30 of each year, to the Association for its review and comments.

(b) After review and comments by the Association, the Borrower shall cause each of its agencies mentioned in paragraph (a) above to make such revisions to its working programs, budgets and working agreements as may be appropriate to reflect the Association's comments and to carry out its respective part of the Project for the year in question on the basis of said working programs, budgets and working agreements.

Section 3.05. (a) The Borrower shall cause SONAPRA and the Stabilization Fund:

(i) to enter, not later than September 30, 1988, into a working agreement covering an initial twelve-month period, satisfactory to the Association, providing for their respective responsibilities and obligations in monitoring and controlling activities in the cotton sector; and

(ii) thereafter, not later than September 30 of each year, to review and update said working agreement and to furnish it to the

Association for its review and comments.

(b) After review and comments by the Association, the Borrower shall cause SONAPRA and the Stabilization Fund to make such revisions to their working agreement as may be appropriate to reflect the Association's comments and to carry out their respective part of the Project for the year in question on the basis of said working agreement.

Section 3.06. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program referred to in the Preamble to this Agreement and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out said Program, in such detail as the Association shall reasonably request.

Section 3.07. The Borrower shall not use or permit the CARDERS or SONAPRA to use chemicals detrimental to the environment, including such chemicals as the Association may from time to time designate to this effect in writing to the Borrower.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

(d) The Borrower shall cause CARDER Borgou, SONAPRA and the Stabilization Fund to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of CARDER Borgou, SONAPRA and the Stabilization Fund, respectively.

(e) The Borrower shall cause CARDER Borgou, SONAPRA and the Stabilization Fund each to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its Financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause CARDER Borgou, SONAPRA and the Stabilization Fund each:

(a) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, economic, technical and agricultural practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, including a general manager whose qualifications and experience shall be satisfactory to the Association;

(b) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and agricultural practices; and

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

Section 5.02. Until the completion of the ongoing study on the administrative organization and activities of the CARDERS, the Borrower shall exchange views with the Association on the contents and recommendations of said study and, within one year from the completion thereof, put into effect such recommendations as determined in agreement with the Association.

Section 5.03. In order to secure assistance in the carrying out of SONAPRA's operations and conduct of its affairs, the Borrower shall cause SONAPRA to employ, under a Management Assistance Contract satisfactory to the Association, a technical and financial management service company or companies whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

Section 5.04. Unless the Association shall otherwise agree, in order to assist SONAPRA in cotton export marketing, the Borrower shall cause SONAPRA to employ, under contracts satisfactory to the Association, no more than three sales agents paid on commission whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) CARDER Borgou Statutes or SONAPRA Statutes or the Borrower's Decree No. 87-431 dated December 29, 1987 establishing the Stabilization Fund shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of CARDER Borgou, SONAPRA or the Stabilization Fund.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CARDER Borgou or SONAPRA or the Stabilization Fund or for the suspension of their respective operations.

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

(A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower 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 establishes To the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring 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.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (b) and (c) of Section 6.01 of this Agreement shall occur; and

(b) any event specified in paragraph (d) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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) SONAPRA has entered into a working agreement covering an initial twelve-month period with each of the CARDERS, satisfactory to the Association, providing for respective responsibilities for seed cotton purchase and input distribution, a schedule for key actions to be performed by each of the CARDERS in the cotton sector concerning primary marketing, input distribution, credit recovery and transport and payment terms for services rendered;

(b) all conditions precedent to the effectiveness of the CCCE Loan Agreement, the BOAD Loan Agreement and the IFAD Loan Agreement, other than any related to the effectiveness of this Agreement, have been fulfilled;

(c) the Borrower has opened the Project Account and deposited therein an amount of seventy-five million CFAF (CFAF 75,000,000);

(d) SONAPRA has entered into the Management Assistance Contract;

(e) SONAPRA has entered into the agreements for cotton export marketing referred to in Section 5.04 of this Agreement;

(f) the secretariat of the Management Committee has been staffed with a

manager, two senior economists, two senior agro-economists, a chief accountant and a financial analyst/controller;

(g) SONAPRA's structure has been modified in due form to include an industrial department and a transport coordination unit for seed cotton, lint and input transport; and

(h) the financing agreement referred to in Section 3.01 (c) of this Agreement has been executed on behalf of the Borrower, SONAPRA and the Stabilization Fund.

Section 7.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.03. The obligations of the Borrower under Section 4.01, 5.01, 5.04 and 6.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower responsible for finance for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economy
P.O. Box 302
Cotonou
People's Republic of Benin

Cable address:

MINIFINANCES
Cotonou

Telex:

MIFIN 5009 or
5289 or
MININDART 5252

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.

PEOPLE'S REPUBLIC OF BENIN

By /s/ Corneille Mehissou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ismail Serageldin

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works for Part A (a) of the Project	720,000	80%
(2) Equipment for:		
(a) CARDER Borgou	880,000)	
(b) Part B (b) of the Project	30,000)	
(c) Part G (d) of the Project	40,000)	90%
(d) Part G (e) of the Project	50,000)	
(3) Operating costs for:		
(a) CARDER Borgou	1,670,000)	
(b) Part B (b) of the Project	120,000)	
(c) Part G (d) of the Project	120,000)	70%
(d) Part G (e) of the Project	80,000)	
(4) Consultants' services and training:		
(a) CARDER Borgou	1,400,000)	
(b) Part B (b) of the Project	380,000)	
(c) Part G (d) and (f) of the Project	690,000)	100%
(d) Part G (e) of the Project	610,000)	
(5) Inputs and factory spares under	7,270,000	100%

Part H of the
Project

(6) Refunding of Project Prepara- tion Advance	1,140,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	700,000	
TOTAL	15,900,000	

2. For the purposes of this Schedule, "Operating costs" means the costs related to office supplies, documentation, vehicle operations, missions and travel and utilities, excluding salaries.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,800,000, may be made in respect of Category (5) on account of payments made for expenditures before that date but after November 1, 1987; and

(b) payments exceeding the equivalent of SDR 3,800,000 in respect of Category (5), unless the Association shall be satisfied after an exchange of views as described in Section 3.06 of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program; and (ii) that the actions described in Schedule 3 to this Agreement have been taken and are satisfactory to the Association.

4. If, after the exchange of views described in paragraph 3 (b) above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof allocated to Category (5).

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to consolidate gains obtained under the Borgou Province Rural Development Project (Credit No. 1127 BEN) with a specific emphasis on productivity improvements at the farm level and executing agency level; (b) to prepare a medium-term restructuring and development program for the rural sector; and (c) to reorganize the cotton sector and improve its financial viability.

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 Development in Borgou Province

(a) Improvement of extension services and training, including the construction and equipping of sub-district extension centers.

(b) Supply to farmers of inputs (fertilizers, pesticides and seeds) for cotton and foodcrops and draft oxen and animal drawn implements, under credit or for cash.

(c) Animal traction development through the acquisition of destumping equipment.

Part B. Applied Foodcrop and Cotton Research

(a) Carrying out of a three-year program of applied foodcrop and farming system research in Borgou Province.

(b) Carrying out of a three-year program of applied cotton research in Borgou and Atacora Provinces.

Part C. Consolidation of Farmer Groups in Borgou Province

(a) Assistance to farmer groups in functional literacy to enable them to assume cotton primary marketing and credit recovery functions.

(b) Assistance to farmer and women groups for foodcrop marketing and processing.

Part D. Environmental Protection in Borgou Province

Carrying out of rural forestry programs and a program of prevention of forest fires.

Part E. Labor Intensive Program and Construction

(a) Development of bottomlands on about 100 ha for rice cultivation.

(b) Construction of about 15 village wells for human consumption and improvement of about 50 traditional wells for vegetable production.

(c) Construction of about 8 multipurpose warehouses.

(d) Construction of, and equipping for, office facilities for MDRAC Direction des Etudes et de la Planification.

Part F. Roads in Borgou Province

Upgrading and maintenance of about 300 km of rural roads.

Part G. Institutional Development

(a) Improvement of CARDER Borgou's accounting, financial management and operational efficiency.

(b) Improvement of SONAPRA's financial management and cost control and monitoring.

(c) Development of management and internal control systems for SONAPRA and CARDERS Borgou, Zou and Atacora.

(d) Establishment and operation of a central service for internal audit and a central service for financial and accounting training for the CARDERS and SONAPRA.

(e) Operation of the Stabilization Fund.

(f) Studies for the preparation of a medium-term restructuring and development program for the rural sector.

Part H. Input Program

Supply to farmers of inputs (fertilizer and pesticides) for cotton and food crops under credit or for cash in all the Borrower's Provinces and acquisition of factory spares.

* * *

The Project is expected to be completed by June 30, 1992.

SCHEDULE 3

Actions Referred to in Paragraph 3 (b)
of Schedule 1 to this Agreement

1. The transfer of ownership of the cotton ginning factories from the CARDERS to SONAPRA has been completed.

2. SONAPRA Statutes have been modified to reflect SONAPRA's responsibilities for all cotton sector activities from primary marketing to export.

3. All subsidies on insecticides have been phased out.

4. The reorganization of the accounting, administrative and financial systems and procedures of CARDER Borgou and SONAPRA has been completed and the accounting,

administrative and financial systems and procedures of CARDER Atacora and CARDER Zou have been reorganized.

5. The annual working agreement between SONAPRA and each of the CARDERS, referred to in Section 7.01 (a) of this Agreement, has been updated as provided in Section 3.04 (b) thereof.

6. SONAPRA's detailed annual budget and financing plan for 1988-1989 for cotton sector activities, including a comparison between actual costs for the previous year and budgeted costs, and key indicators such as ginning ratio, product quality and producer and input prices, have been prepared and are acceptable to the Association.

SCHEDULE 4

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 People's Republic of Benin 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. Local competitive bidding:

Works under Part A (a) of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping:

Equipment estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers 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 \$100,000 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 the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, 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 5 to this 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 (c) (ii) of this 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

(a) In order to assist the Borrower in carrying out the Project, the Borrower, CARDER Borgou, SONAPRA and the Stabilization Fund shall employ consultants, including those listed in paragraph (b) hereunder, 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.

(b) The Stabilization Fund shall employ the financial analyst/controller referred to in Section 7.01 (f) of this Agreement. Not later than June 30, 1988, the Borrower shall employ an internal auditor and a trainer in financial and accounting procedures to serve the central services included in Part G (d) of the Project and a cotton researcher for Part B (b) of the Project and CARDER Borgou shall employ a financial adviser and a chief accountant.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 250,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account 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 the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

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

(b) The Borrower 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 out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower 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 the 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 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 Parts A (a) and (c), B (b), C (a) and G 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 Parts A (a) and (c), B (b), C (a) and G of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (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 pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

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

