

CONFORMED COPY

CREDIT NUMBER 2181 EG

(Crop Diversification and Agricultural Services Project)

between

REPUBLIC OF EQUATORIAL GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 21, 1990

CREDIT NUMBER 2181 EG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 21, 1990, between REPUBLIC OF EQUATORIAL GUINEA (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 Banque Arabe pour le Developpement Economique en Afrique (BADEA) a loan (the BADEA Loan) in an amount equivalent to \$3,900,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the BADEA Loan Agreement) to be entered into between the Borrower and BADEA;

(C) the Borrower intends to contract from International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an amount equivalent to SDR 3,700,000 to assist in financing 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;

(D) the Borrower intends to contract from the Fund of the Organization of Petroleum Exporting Countries (OPEC Fund) a loan (the OPEC Fund Loan) in an amount equivalent to \$1,500,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the OPEC Fund Loan Agreement) to be entered into between the Borrower and the OPEC Fund; and

(E) the Borrower intends to obtain from the World Food Programme (WFP) a grant in kind (the WFP Grant) equivalent to \$1,000,000 under its Food for Work Programme to assist in financing the Project on the terms and conditions set forth in an agreement (the WFP Grant Agreement) to be entered into between the Borrower and WFP; 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) "ACD" means the Agricultural Credit Department of the Borrower's Credit and Development Bank currently under liquidation;

(b) "CAMARA" means the Borrower's Chamber of Commerce for Agriculture and Forestry for the island of Bioko;

(c) "CSMU" means the Credit Supervision and Monitoring Unit, a unit to be established within SAC (as hereinafter defined) pursuant to Section 3.04 of this Agreement;

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

(e) "MALFF" means the Borrower's Ministry of Agriculture, Livestock, Fisheries and Forestry;

(f) "OFA" means Organizacion de Fomento Agricola, the Agricultural Development Organization referred to in Section 3.04 of this Agreement, and to be established as a Sociedad Anonima;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated December 4, 1989 and December 20, 1989 between the Borrower and the Association;

(h) "SAC" means the savings and credit service of OFA;

(i) "SI" means Servicio de Insumos, the input supply service of OFA; and

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

#### ARTICLE II

## The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to four million seven hundred thousand Special Drawing Rights (SDR 4,700,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFAF a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 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 May 15 and November 15, commencing November 15, 2000 and ending May 15, 2030. Each installment to

and including the installment payable on May 15, 2010 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.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate agricultural, financial management and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) For purposes of Part C.2 of the Project, the Borrower shall, out of the proceeds of the Credit allocated to and withdrawn from time to time under Category (6) in Schedule 1 to this Agreement, open in favor of OFA a line of credit, under a Subsidiary Loan Agreement to be entered into between the Borrower and OFA under terms and conditions which shall have been approved by the Association, including: (i) an annual interest rate of 11% payable quarterly on March 31, June 30, September 30 and December 31; (ii) the obligation of OFA to finance on behalf of SI the acquisition of the agricultural inputs and equipment to be distributed to beneficiaries by SI and to be purchased by such beneficiaries under short-medium- or long-term credit; and (iii) repayment of principal over a period of 20 years, including a grace period of five years.

(b) 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 Borrower and the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 3.04. For purposes of carrying out Parts B.5, B.6 and C.2 of the Project, the Borrower shall cause OFA to: (a) establish, not later than March 31, 1991, and thereafter maintain CSMU within SAC, with the responsibility for assessing the creditworthiness of beneficiaries through field inspections of their holdings and, except as the Association shall otherwise agree, in accordance with the eligibility criteria and the terms and conditions set forth under Schedule 5 to this Agreement; (b) employ: (i) a General Manager; (ii) a marketing and procurement expert to advise OFA's General Manager and the Chiefs of inputs, supply and marketing services; and (iii) an expert for the position of SAC's credit and savings expert, all with qualifications, experience and terms and conditions of employment satisfactory to the Association; and (c) establish a branch on the mainland to represent OFA and to liaise with its main office on Bioko.

Section 3.05. For purposes of carrying out Part C of the Project, the Borrower shall employ: (a) a Project Director; (b) a Project Coordinator; and (c) a Financial Advisor; all with qualifications, experience and terms and conditions of employment satisfactory to the Association.

Section 3.06. The Borrower shall cause MALFF to prepare and furnish to the Association, not later than October 30 in each year, annual work programs and budgets, including training plans for counterpart and other local staff referred to in Section 3.08 of this Agreement.

Section 3.07. Without any limitation or restriction upon the provisions of this Agreement, the Borrower shall: (a) not later than December 31, 1993, carry out a detailed review of the execution of the Project up to that date, and not later than three months after such review, furnish the results of such review to the Association and afford the Association an opportunity to comment and make recommendations thereon; and (b) promptly take such measures in the light of the results of such review as the Association shall consider adequate to ensure the achievement of the purposes of the Project.

Section 3.08. The Borrower shall select and appoint, not later than three months after the experts referred to in Sections 3.04 (b) (ii) and (iii), 3.05 (b) and (c) and 3.13 of this Agreement have taken up their duties, local counterpart staff with qualifications and experience satisfactory to the Association and in adequate numbers.

Section 3.09. The Borrower shall: (a) not later than March 31, 1991, furnish to the Association for comments, the study on the land tenure system in Bioko included in Part C.4 of the Project; and (b) implement, not later than June 30, 1991, those recommendations of said study agreed upon with the Association.

Section 3.10. The Borrower shall, not later than March 31, 1991, cause MALFF to enter into an agreement with OFA for the provision of cocoa classification and grading support by OFA to MALFF.

Section 3.11. The Borrower shall transfer: (a) to OFA: (i) all fixed, moveable and liquid assets, including the loan portfolio of ACD, for SAC; and (ii) the stock of goods and agricultural equipment of the input supply unit of CAMARA for SI; and (b) to MALFF, for the implementation of the Project, all the vehicles and equipment used by the technical support team of the Cocoa Rehabilitation Project.

Section 3.12. The Borrower shall enter into contractual arrangements with United Nations Volunteers for the execution of Parts A and B of the Project.

Section 3.13. The Borrower shall employ an extension and production expert for the execution of Part A of the Project, with qualifications, experience and terms and conditions of employment satisfactory to the Association.

## 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, and OFA, 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall: (a) not later than May 31 in each year prepare and furnish to the Association for its approval, a formula for the establishment of cocoa producers' prices based on world market conditions and producers' prices prevailing in neighboring countries; (b) promptly thereafter establish and put into effect cocoa producers' prices satisfactory to the Association; (c) take and maintain in effect measures satisfactory to the Association to provide a system of adequate production incentives and taxation for cocoa exports; and (d) review the adequacy of such system of incentives and taxation with the Association not later

than July 31 in each year and give due consideration to the Association's comments.

Section 4.03. The Borrower and the Association shall, not later than April 30 in each year, review: (a) the public investment program for agriculture; and (b) the adequacy of the interest rates set forth in Schedule 5 to this Agreement on the basis of criteria satisfactory to the Association. The Borrower shall on the basis of the results of such review cause SAC to adjust interest rates to levels satisfactory to the Association.

#### ARTICLE V

##### Remedies of the Association

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

(a) any instrument under which OFA has been established or operates shall have been amended, suspended, waived or repealed so as to materially and adversely affect the ability of OFA to carry out its responsibilities under Parts B.5, B.6 and C.2 of the Project;

(b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of OFA or for the suspension of its operations;

(c) an extraordinary situation shall have arisen which shall make it impossible for OFA to carry out its responsibilities in respect of Parts B.5, B.6 and C.2 of the Project; and

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

(A) the right of the Borrower to withdraw the proceeds of any loan or grant 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 thereof, 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 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in Section 5.01 (d) (i) (B) of this Agreement shall occur, subject to the proviso of Section 5.01 (d) (ii) of this Agreement.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement

within the meaning of Section 12.01 (b) of the General Conditions:

(a) the personnel referred to in Sections 3.04 (b), 3.05, and 3.13 of this Agreement have been employed; and

(b) OFA has been legally established with the assets of ACD, and of the input supply unit of CAMARA in accordance with Section 3.11 of this Agreement, all in a manner satisfactory to the Association.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of Agriculture, Livestock, Fisheries and Forestry of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

MALFF  
Malabo  
Equatorial Guinea

Cable address:

Telex:

939 5401

939 5405

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.

248423 (RCA),  
82987 (FTCC),  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF EQUATORIAL GUINEA

By /s/ Damaso Obiang  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION



By /s/ Edwin Lim  
Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works: Rehabilitation of houses and construction of stores for Part B.1 of the Project	100,000	100%
(2) Vehicles	—	
(3) Equipment: Office equipment for Part B.1 and Part C.2 of the Project	150,000	100%
(4) Technical assistance	1,810,000	80%
(5) Training and studies: Market- ing study for Part B.1, inven- tory control for Part C.2 and land distribution study for Part C.4 of the Project	160,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Credit for imported agricultural inputs, equipment and services:		
(a) Poverty Alleviation Fund for Part B.5,	—	
(b) Crop Diversi- fication Fund for Part B.6, and	150,000	100%
(c) Farm Tools Revolving Fund for Part C.3 of the Project	20,000	100%
(7) Incremental operating costs	880,000	35%

(8)	Salaries for incremental staff	380,000	35%
(9)	Refunding of Project Preparation Advance	670,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(10)	Unallocated	380,000	
	TOTAL	4,700,000	=====

2. For the purposes of this Schedule, the term "incremental operating costs" means incremental expenditures for fuel, vehicle maintenance, travel, and office supplies related to the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; or (b) under Category (6) until CSMU has been established, SAC is operational, the contract referred to in Section 3.12 of this Agreement has been signed and the Subsidiary Loan Agreement referred to under Section 3.03 of this Agreement has been signed.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to alleviate rural poverty, improve family nutrition and food security, increase food production, promote local food marketing and raise foreign exchange earnings by import substitution and promoting the export of traditional and non-traditional crops, including food crops.

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 Extension and Applied Research

- (1) Increase of agricultural production and productivity:
  - (a) on about 30,000 mainland farms producing food crops;
  - (b) on about 8,600 hectares (ha) of cocoa land on Bioko, comprising: (i) about 3,000 ha already rehabilitated under the Cocoa Rehabilitation Project; (ii) about 3,600 ha of medium-size farms to be rehabilitated; and (iii) rehabilitation of about 2,000 ha of abandoned suitable cocoa plantations for distribution to the landless, near landless, unemployed and sharecroppers; and
  - (c) through diverting about 3,000 ha of marginal cocoa land on Bioko into production of non-traditional export crops.
- (2) Development of appropriate extension and applied research both on the mainland and Bioko by:
  - (a) Introduction of the Training and Visit system on a national basis to improve production techniques, and gradual integration of existing extension activities into the national extension service; and
  - (b) Establishment of basic applied research structures in Mbini and Bioko, each with a plant propagation unit to coordinate all applied research activities, and conducting of field experiments on existing and new varieties

of food crops and tropical fruits, for crop diversification and export promotion, as well as on small livestock.

Part B: Crop marketing, Credit and Input Supply

- (1) Preparation and implementation of a marketing strategy aimed at promoting local marketing, and export of food crops to neighboring countries, as well as export of high quality cocoa and of non-traditional commodities to the world market.
- (2) Improvement of cocoa quality through cocoa fermentation and drying techniques.
- (3) Promotion of private sector marketing networks to increase local marketing of food and traditional and non-traditional export crops through the establishment of a marketing information system, market research and investment promotion activities.
- (4) Rehabilitation of roads along the export corridor of Mbini-Cogo and Evinayong-Akurenam, maintenance of rural feeder roads and purchase of a ferry to operate between Cogo, Akalayong and Coco-Beach, in the Republic of Gabon.
- (5) Establishment of a Poverty Alleviation Fund (PAF), administered by OFA on a revolving basis, to supplement credit initiatives by financing part - but no more than 40% - of the down payment required by OFA for village stores, food crop production and marketing, and any other credit requirements for smallholders, as may be approved by PAF's Management Committee.
- (6) Establishment of a Crop Diversification Fund (CDF), administered by OFA on a revolving basis, to promote the crop diversification program in marginal cocoa production areas.

Part C: Institutional Development

- (1) Strengthening of MALFF's General Directorate for Training, Extension and Cooperative Development through the development of its managerial, budgeting and training capabilities.
- (2) Establishment of OFA to support small and medium-size farmer food production and marketing through the supply of agricultural inputs, the provision of marketing assistance and of seasonal and medium- and long-term credit in cash or in kind through SAC to eligible beneficiaries, including the creation of a branch on the mainland to promote food production and marketing.
- (3) Promotion of small farmer and trader associations for their effective participation in marketing and input supply through training in simple bookkeeping, inventory control, group management and business procedures, and access to credit.
- (4) Carrying out of a land tenure study on Bioko.

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The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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).

2. To the extent practicable, contracts for works, vehicles, equipment and agricultural inputs shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Equatorial Guinea 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Items or groups of items for vehicles, equipment and agricultural inputs estimated to cost between the equivalent of \$50,000 and \$100,000 per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association

2. Items or groups of items for works, vehicles, equipment and agricultural inputs estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Extension offices and feeder roads rehabilitation, and routine maintenance works may be procured by force account.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works, vehicles, equipment and agricultural inputs estimated to cost the equivalent of \$80,000 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 4 to this Agreement.

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

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

## Section II. Employment of Consultants

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

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to SDR 200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively 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 shall be made as follows:

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 5

Eligibility Criteria and Principal  
Lending terms for Short-,

Medium- and Long-term

## Credit

### A. Eligibility Criteria

Eligible are beneficiaries meeting the creditworthiness criteria, set forth below.

#### 1. General Creditworthiness Criteria

- (i) status of beneficiary's solvency and his past credit repayment performance, if applicable;
- (ii) proven farm management or entrepreneurial capability;
- (iii) ability to repay based on the farm's or enterprise's condition and beneficiary's past repayment history, if applicable;
- (iv) presentation of adequate collateral; and
- (v) appropriateness of title to property for purpose of guaranteeing the credit to be made.

For first time beneficiaries with no credit history, the selection procedures as defined under SAC's rules and regulations shall apply.

#### 2. For Short-term Credit

Short-term or seasonal credit, for a period of ten (10) to twelve (12) months, will be provided to finance short-term commercial and seasonal crop producing and marketing activities. To be eligible, beneficiaries will have to meet creditworthiness criteria (i), (ii), (iii) and (iv) above. In addition, beneficiaries will have to contribute cash from their own resources in a percentage of total credit, as determined by SAC's rules and regulations.

#### 3. For Medium-term Credit

Medium-term credit, for a period not exceeding seven (7) years, will be provided to finance cost-reducing investments in equipment and materials. To be eligible, beneficiaries will have to meet creditworthiness criteria (i), (ii), (iii), (iv) above and, as determined by SAC's rules and regulations, (v). In addition, beneficiaries will have to contribute cash from their own resources in a percentage of total investment, as determined by SAC's rules and regulations.

#### 4. For Long-term Credit

Long-term credit, for a period not exceeding ten (10) years, will be only provided to finance long-term cost-reducing investments in production facilities and infrastructure. To be eligible, beneficiaries will have to meet creditworthiness criteria (i), (ii), (iii), (iv) and (v) above. In addition, beneficiaries will have to contribute cash from their own resources in a percentage of total investment, as determined by SAC's rules and regulations.

### B. Principal Lending Terms

#### 1. Short-term Credit

- (i) the annual interest rate shall be 18% for credit granted during the first year; and
- (ii) repayment of principal shall be at the end of 10 to 12 months.

#### 2. Medium-term Credit

- (i) the annual interest rate shall be 18% for credit

granted during the first year;

- (ii) interest on the principal shall be paid annually at the end of each year; and
- (iii) repayment of principal shall be over a period not exceeding seven years, including a grace period of one year.

### 3. Long-term Credit

- (i) the annual interest rate shall be 18% for credit granted during the first year;
- (ii) interest on the principal shall be paid annually at the end of each year; and
- (iii) repayment of principal shall be over a period not exceeding ten years, including a grace period of one year.

### 4. Review and Adjustment of Interest Rates

Interest rates shall be reviewed annually in consultation with the Association during the period of this Agreement, and adjusted so as to take into consideration the inflation rate and maintain a positive real interest rate.

### C. Items Eligible for Financing

1. Short-term credit: agricultural and other inputs such as copper sulfate, lime, fertilizers, simple hand tools and equipment, wages of farm and other manual labor, and marketing activities.
2. Medium-term credit: agricultural and other inputs and production cost-reducing investment goods, including tractors, farm machinery and vehicles, agricultural processing equipment and construction of more efficient cocoa dryers.
3. Long-term credit: renovation of on-farm and other infrastructure, construction of facilities for storing agricultural products, and construction of laborers' housing.
4. Other Conditions

The Borrower shall cause SAC to grant credit to operators in all sectors of the economy in such manner as to protect the interests of the Borrower and the Association, including, in the case of each credit: (i) the right to require that the goods to be financed out of the proceeds of the Credit be used exclusively to carry out the Project; (ii) the right of the Association to inspect the goods purchased with the proceeds of the Credit and the farms and enterprises where they are used; and (iii) the right of SAC to suspend or terminate the right of its beneficiaries to make withdrawals under each credit if such beneficiary does not perform his obligations under his agreement with SAC. The eligibility conditions, creditworthiness criteria and lending terms for short-medium- and long-term credit shall be detailed in SAC's rules and regulations, and shall be acceptable to the Borrower and the Association.

