

CONFORMED COPY

CREDIT NUMBER 1993 TO

(Grassroots Development Initiatives Project)

between

REPUBLIC OF TOGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 1989

CREDIT NUMBER 1993 TO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 18, 1989, between REPUBLIC OF TOGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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) "CFAF" means the currency of the Borrower;

(c) "Project Preparation Advances" means the project preparation advances granted by the Bank to the Borrower pursuant to an exchange of letters dated April 17, 1985 and April 30, 1985, and May 5, 1986 and November 3, 1986 between the Borrower and the Bank;

(d) "MPM" means the Borrower's Ministry responsible for Planning and Mining;

(e) "PDLP/NGO Division" means the division within MPM responsible for PDLP and for liaison with NGOs;

(f) "PDLP" means the "Programme de Developpement Local et Participatif" of the Borrower;

(g) "NGO" means any non-governmental organization having juridical personality and legally authorized to carry out its operations in the Borrower's territory; and "Local NGO" means any NGO legally established in accordance with the laws of the Borrower;

(h) "PSC" means the Project Steering Committee referred to in Section 3.03 and in Schedule 4 to this Agreement;

(i) "SSDP" means any Small-Scale Development Project selected for financing under the Project in accordance with the criteria set forth in Schedule 4 to this Agreement; and

(j) "FONGTO" means Federation des Organisations Non Gouvernementales au Togo.

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 three million and eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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 the Project, open and maintain in CFA Francs a special account in a commercial bank 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 the Bank the amount required to repay the principal amount of the Project Preparation Advances 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 Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1 commencing September 1, 1999 and ending March 1, 2029. Each installment to and including the installment payable on March 1, 2009 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 through its Ministry of Planning and Mining with due diligence and efficiency 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 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. The Borrower shall establish and thereafter maintain the Project Steering Committee with membership, functions and responsibilities as set forth in Schedule 4 to this Agreement.

Section 3.04. The Borrower shall: (a) under Financing Agreements satisfactory to the Association, make the proceeds of the Credit allocated to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement available to eligible NGOs as a contribution of the Borrower to the cost of SSDPs selected in accordance with the criteria set forth in Schedule 4 to this Agreement; and (b) exercise its rights under said Financing Agreements 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 change, assign, amend or waive such Financing Agreements or any provision thereof.

Section 3.05. The Borrower shall: (a) prepare and submit to the Association by October 31 of each year for its approval a work program to be executed during the following calendar year by the PLDP/NGO Division; and (b) cause FONGTO to prepare and submit to the Association through the Borrower by October 31 of each year the work program to be executed during the following calendar year by FONGTO in furtherance of Part B.3 of the Project.

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.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has concluded with FONGTO arrangements satisfactory to the Association for the carrying out of the Project.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for Economy and Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the

services		
(3) Vehicles, computer equipment, office supplies and materials	150,000	100%
(4) Operating costs	240,000	100%
(5) Training	120,000	100%
(6) Refunding of Project Preparation Advances	340,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	350,000	
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TOTAL	3,800,000	

2. For the purposes of this Schedule, the term "operating costs" means expenditures in respect of items such as fuel and vehicle maintenance costs, and subsistence expenses for travel related to the Project.

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; and

(b) expenditures for any SSDP proposal unless such proposal shall have been approved by the Association prior to the signing of the Financing Agreement related thereto.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) improve the living standards of the poorest segments of the population of the Borrower through the financing of community-based small-scale development projects; (b) foster cooperation between the Borrower and NGOs operating within the Borrower's territory; and (c) strengthen the capability of local NGOs to prepare, implement and manage community-level projects.

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: Community-Based Small-Scale Development Projects

Financing of eligible SSDPs.

Part B: Institutional Development

1. Strengthening the capability of PSC to evaluate SSDP proposals, assess their developmental impact and monitor their execution.

2. Reinforcement of the expertise of MPM's division responsible for managing the Borrower's program of cooperation with NGOs.

3. Formulation and execution of an action-program to strengthen coordination of NGO activities through FONGTO and reinforce the capability of local NGOs to efficiently prepare and execute their development operations.

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The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Methods

1. Items or groups of items including civil works, estimated to cost CFAF 5,000,000 or more per contract, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three reputable suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines) in accordance with procedures acceptable to the Association.

2. Items or groups of items including civil works, estimated to cost less than CFAF 5,000,000, may be procured through direct purchase.

Part B: Review by the Association of Procurement Decisions

1. Review of awards and final contracts:

(a) With respect to each contract, estimated to cost CFAF 5,000,000 or more, 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 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) The provisions of the preceding subparagraph (a) 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

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

SCHEDULE 4

A. Eligibility Criteria for SSDPs

I. To qualify for financing under the Project, any NGO wishing to submit any SSDP proposal shall meet the following conditions:

1. have juridical personality, be legally authorized to carry out developmental activities in Togo, and be affiliated with FONGTO;

2. have a good performance record, good knowledge of the local environment, and a demonstrated capacity to mobilize human and financial resources required to carry out the proposed SSDP;

3. having performed in Togo for at least two consecutive years; in the case of an exceptionally meritorious SSDP proposal, PSC may reduce this requirement to one year;

4. submit a work program showing the proposed SSDP to be an integral part of said work program; and

5. submit audited financial statements for its last fiscal year indicating the adequacy of its accounting and financial management systems.

II. To be eligible for financing, any SSDP proposal shall meet the following conditions:

1. be proposed by a qualified NGO (the SSDP idea may be developed either by the proposing NGO or by a local community); an ongoing project requiring additional financing may be considered;

2. show that it will improve the standard of living/working conditions of the intended beneficiaries who must be among the poorest members of the community concerned;

3. be justified and technically feasible and manageable by the intended beneficiaries;

4. at least 30 percent of the total cost of the proposed SSDP to be financed by the beneficiaries and/or the sponsoring NGO; and

5. a clear assessment of recurrent costs of the proposed SSDP and how to cover them must be provided as well as a description of specific measures to be taken to ensure the participation of the beneficiaries in the design, execution and management of the proposed SSDP.

B. Terms and Conditions to be included in the Financing Agreements between the Borrower and eligible NGOS

1. Any financing to be provided for any SSDP shall not exceed 70% of the total cost of said SSDP.

2. The sponsoring NGO shall carry out and operate the SSDP with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and shall maintain adequate records and accounts.

3. (i) Goods and services to be financed for any SSDP and estimated to cost more than CFAF 5,000,000 per contract shall be purchased at a reasonable price, after price quotations from at least three reliable suppliers have been furnished, account being taken also of other relevant factors such as time of delivery, efficiency and reliability of the goods, and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them; and (ii) goods and services financed for any SSDP shall be used exclusively in the carrying out of the proposed SSDP.

4. The Association's right to inspect by itself or jointly with representatives of the Borrower, if the Association shall so request, goods, sites, works, plants and construction included in the proposed SSDP, the operation thereof, and any relevant records and documents.

5. Release of all such information as the Borrower or the Association shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the sponsoring NGO and to the benefits to be derived from the proposed SSDP.

6. The right of the Borrower to suspend or terminate the

right of the sponsoring NGO to the use of the proceeds of the financing upon failure by such sponsoring NGO to perform its obligations under the Financing Agreement.

C. Composition and responsibilities of PSC

1. PSC shall be composed of two representatives of the Borrower and two representatives designated by FONGTO. Each representative shall have an alternate. Meeting of PSC shall be duly held when at least three of its members are present.

2. PSC shall carry out the following tasks:

- general guidance and monitoring of the execution of the Project;
- programming and planning of activities to be carried out under the Project;
- appraisal/Evaluation of dossiers submitted in accordance with agreed procedures for financing under the Project;
- decision and selection of projects to be financed in accordance with the agreed eligibility and selection criteria;
- signature on behalf of the Borrower of financing agreements to be concluded between the Borrower and the NGO sponsoring an approved SSDP;
- monitoring and supervision of implementation of selected SSDPs through Project Progress Reviews (PPRs) and ex-post evaluation; and
- review of project implementation reports, and of the Project Completion Report.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 \$300,000 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 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 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 paragraphs 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.

