

CONFORMED COPY

LOAN NUMBER 2959 BE

(Agricultural Credit and Export Development Project)

between

BELIZE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated July 19, 1988

LOAN NUMBER 2959 BE

LOAN AGREEMENT

AGREEMENT, dated July 19, 1988, between BELIZE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from the Government of Japan a grant (the Japanese Grant) in an amount of \$500,000 equivalent to assist in the financing of Part B of the Project on the terms and conditions set forth in an agreement (the Japanese Grant Agreement) to be entered into between the Borrower and the Government of Japan;

(C) the Borrower intends to contract from the Food and Agriculture Organization (FAO) a grant (the FAO Grant) to assist in the financing of Part C.2 of the Project on the terms and conditions set forth in an agreement or other contractual arrangement (the FAO Grant Agreement) to be entered into between the Borrower and FAO; and

(D) the Borrower intends to contract from the United Kingdom Overseas Development Administration (ODA) a grant (the ODA Grant) to assist in the Financing of Part C.2 of the Project on the terms and conditions set forth in an agreement or other contractual arrangement (the ODA Grant Agreement) to be entered into between the Borrower and ODA;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 4 to this Agreement (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) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the Central Bank, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

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

(c) "Central Bank" means the Central Bank of Belize established by the Central Bank of Belize Act 1982;

(d) "BCF" means the Belize Credit Facility, an account maintained by the Borrower pursuant to the provisions of Section 3.03 of this Agreement;

(e) "Financial Intermediary" means DFC or any private or public bank or a financial institution or credit union duly established and operating under the laws of Belize which is designated by the Borrower with the Bank's approval, to make Sub-loans under the Project, and with which the Central Bank on behalf of the Borrower has entered into a Participating Agreement;

(f) "DFC" means the Development Finance Corporation, a corporation of the Borrower established and operating pursuant to the Development Finance Corporation Act, published in Chapter 226 of the Laws of Belize 1980;

(g) "BCB" means Banana Control Board, a body corporate established pursuant to Section 3 of the Banana Industry Act, Chapter 168 of the Laws of Belize;

(h) "Sub-Loan" means a loan made or proposed to be made by a Financial Intermediary out of the proceeds of the Loan to an Investment Enterprise for the financing of investments, including the initial working capital requirements related to such investments, under an Investment Project;

(i) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 8 to this Agreement;

(j) "Investment Enterprise" means a farmer or an agricultural or agro-industrial enterprise to which a Financial Intermediary proposes to make or has made a Sub-loan;

(k) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan including the expansion or rehabilitation by an Investment Enterprise of an existing Investment Project;

(l) "Charter" means the law, charter, or other legal instrument or document

establishing or governing the operations of a Financial Intermediary;

(m) "Statement of Policies, Operating Regulations and Lending Procedures" means the statement of policies, operating regulations and lending procedures of the BCF approved by the Borrower pursuant to the provisions of Section 6.01 (b) of this Agreement;

(n) "Belize dollars" or "BZ\$" means the currency of the Borrower;

(o) "Banana Growers Association" means the Banana Growers Association established as a body corporate pursuant to Section 21 of the Banana Industry Act, Chapter 168 of the Laws of Belize 1980;

(p) "Central Bank Act" means the Central Bank of Belize Act 1982; and

(q) "Participating Agreement" means the participating agreement to be entered into between Central Bank on behalf of the Borrower and a Financial Intermediary pursuant to Section 3.04 of this Agreement, as the same may be amended from time to time; and "Facility Loan" means a loan or loans made by the Borrower to a Financial Intermediary pursuant to such Participating Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to seven million eight hundred thousand dollars (\$7,800,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### 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:

- (i) shall carry out Part A of the Project with the assistance of the Central Bank and with due diligence and efficiency and in conformity with appropriate financial, administrative and managerial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project;
- (ii) shall cause DFC to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and managerial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project;
- (iii) shall cause BCB to carry out Part C.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and managerial practices and shall provide, promptly as needed, the funds, facilities and other resources required for Part C.1 of the Project; and
  - (iv) shall carry out Part C.2 of the Project as follows: (A) Parts C.2 (a) and (c) through its Ministry of Agriculture; and (B) Part C.2 (b) through its Ministry of Natural Resources; all with due diligence and efficiency and in conformity with appropriate administrative, financial and managerial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part C.2 of the Project;
- (b) The Borrower shall enter into an agreement with the Central Bank under terms and conditions satisfactory to the Bank setting forth the Central Bank's responsibilities in assisting the Borrower to carry out Part A of the Project.
- (c) The Borrower shall enter into an agreement with DFC under terms and conditions satisfactory to the Bank setting forth DFC's responsibilities in the carrying out of Part B of the Project.
- (d) The Borrower shall enter into an agreement with BCB under terms and conditions which shall have been approved by the Bank setting forth BCB's responsibilities in the carrying out of Part C.1 of the Project.
- (e) The Borrower shall exercise its rights under the Subsidiary Agreement and the agreements referred to in paragraphs (c) and (d) of this Section in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or the agreements referred to in paragraph (c) or (d) of this Section or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to this Agreement.

Section 3.03. The Borrower shall maintain an account in the Central Bank for purpose of Part A of the Project under terms and conditions satisfactory to the Bank which shall include, inter alia, that:

- (a) the proceeds of the Loan allocated for Part A of the Project shall be credited for the discount of Facility Loans to Financial Intermediaries;
- (b) the principal and interest paid by the Financial Intermediaries in respect of the Facility Loans shall be credited to the BCF; and
- (c) the Central Bank shall operate the BCF in accordance with the provisions

of Sections 3.04 through 3.08 of this Agreement.

Section 3.04. The Borrower shall cause the Central Bank to:

(a) enter into, on behalf of the Borrower, a participating agreement, the terms and conditions of which shall have been approved by the Bank, with each Financial Intermediary whereby the Borrower shall lend such amount or amounts of the proceeds of the Loan allocated for Part A of the Project as the Financial Intermediary shall require to make Sub-loans. The Participating Agreement shall, among other things, provide for: (i) a discount rate to be charged to the Financial Intermediary which shall be (1) for Facility Loans denominated in dollars a rate per annum equivalent to the interest rate specified in Section 2.05 of this Agreement; (2) for Facility Loans denominated in Belize dollars, a rate equivalent to the interest rate specified in Section 2.05 of this Agreement plus one percentage point; (ii) repayment of principal by the Financial Intermediary in not more than 15 years including therein up to 4 years of grace; and (iii) the Financial Intermediary's obligation to follow and apply, in respect of Sub-loans, the procedures and the terms and conditions set forth in Schedule 8 to this Agreement; and (b) maintain a manager responsible for the operation of the BCF with qualifications and experience satisfactory to the Bank.

Section 3.05. The Borrower shall exercise its rights under each Participating Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive such Participating Agreement or any provision thereof.

Section 3.06. (a) The Borrower undertakes that, unless the Bank shall otherwise agree: (i) Sub-loans will be made in accordance with (A) the procedures and on the general terms and conditions, and the specific criteria set forth or referred to in Schedule 8 to this Agreement, (B) the Statement of Policy, the Operating Regulations and the Lending Procedures; and (ii) the Borrower shall not amend, suspend, abrogate, repeal or waive any of the provisions of the Statement of Policy, the Operating Regulations or the Lending Procedures.

(b) The Borrower shall cause the Central Bank to exercise the Borrower's rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and of the Borrower; (ii) comply with its obligations under this Agreement and the Subsidiary Agreement; and (iii) achieve the purposes of the Project.

Section 3.07. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the administration and operations of the BCF, and of the overall operations and financial condition of the Financial Intermediaries; (b) the Borrower shall cause the Central Bank to furnish to the Bank, not later than March 31 each year, commencing on March 30, 1989, evaluation reports on the carrying out of Part A of the Project including information on the status of the Sub-loans made by Financial Intermediaries under Part A of the Project; and (c) the Borrower shall cause the Central Bank to enable the Bank's representatives to inspect all records regarding the carrying out of Part A of the Project and any other relevant documents.

Section 3.08. (a) The Borrower shall cause the Central Bank to review with the Bank not later than December 31 of each year, the interest rate charged to Investment Enterprises for Sub-loans with a view to determining the appropriateness of such rate for lending under the Project; and (b) if by March 1 of each year, the Bank and the Borrower shall not have reached an agreement on the interest rate to be applied to Sub-loans, the Bank may refrain from approving or authorizing new Sub-loans pursuant to Schedule 8 to this Agreement.

Section 3.09. The Borrower shall, for purposes of Parts B and C of the Project, (a) open a project account to be operated under terms and conditions satisfactory to the Bank; and (b) deposit therein all amounts of counterpart funds as shall be required from time to time for the carrying out of Parts B and C of the Project.

Section 3.10. The Borrower shall, for purposes of Part B of the Project, cause DFC to:

(a) (i) carry out the action plan set forth in Schedule 7 to this Agreement; and (ii) not later than March 31, 1991 exchange views with the Bank on the progress made by DFC in the carrying out of such plan of action;

(b) maintain key staff with qualifications and experience satisfactory to the Bank and inform the Bank of any changes in such key staff;

(c) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operation and financial condition;

(d) (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 sound auditing principles consistently applied by independent auditors acceptable to the Bank; and (ii) furnish to the Bank, as soon as available, but in any case not later than six months after the end of each year: (A) certified copies of said 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 Bank shall have reasonably requested;

(e) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request; and

(f) carry out, and cause to be carried out, a plan of action, satisfactory to the Bank, for the institutional strengthening of DFC, designed to achieve for DFC:

(i) a yearly ratio of arrears of over twelve months to total outstanding debt owed to DFC not higher than 14%, 10%, 6%, 3% and 0% for fiscal years 1988, 1989, 1990, 1991 and 1992, respectively;

(ii) a yearly ratio of total collections of principal and interest on debt owed to DFC in a fiscal year not lower than 115%, 110%, 100% and 95% in fiscal years 1988, 1989, 1990 and 1991 and thereafter, respectively; and

(iii) (A) the recovery, in accordance with a yearly schedule satisfactory to the Bank, of all debt owed to DFC in amounts greater than \$25,000 equivalent per loan in arrears as of September 30, 1987 and (B) for purposes of this subparagraph (f) (iii) DFC shall not later than February 15, 1989 and every February 15 thereafter furnish to the Bank the recovery schedule to be implemented during the following year.

Section 3.11. Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower shall, not later than March 31 of each year commencing March 31, 1989 furnish to the Bank a consolidated progress report in respect of all parts of the Project.

Section 3.12. The Borrower shall: (a) furnish, or cause to be furnished to the Bank, not later than March 31 of each year, commencing March 31, 1989 the annual training program to be carried out during the following fiscal year in respect of Parts B and C of the Project; and (b) promptly upon completion of such programs, inform the Bank of the results thereof.

Section 3.13. The Borrower shall, not later than December 31, 1988: (a) remove the export license requirements for exporters of citrus and citrus products; and (b) exempt land-base produced shrimp from the 5% export tax levied on such product.

Section 3.14. The Borrower shall cause BCB: (a) to maintain a general manager and (b) to appoint, not later than December 31, 1988 a project manager, both with qualifications and experience satisfactory to the Bank.

Section 3.15. The Borrower shall cause BCB: (a) not later than December 31, 1988, to enter into an agreement with the Banana Growers Association providing terms and conditions satisfactory to the Bank, for the transfer of responsibilities for extension services for banana production to such association by not later than December 31, 1991; and (b) not to assign, amend, suspend, abrogate or waive or fail to enforce such agreement or any provision thereof.

Section 3.16. The Borrower shall, for purposes of Part C.2 (a) of the Project, not later than December 31, 1988, establish, and thereafter maintain, a cocoa advisory board, with powers and responsibilities satisfactory to the Bank.

#### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate 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) cause such records and accounts and the records and accounts for the Special Account for each fiscal year to be audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the accounts 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan 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 or cause to be retained, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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. Without limitation to the provisions of Section 4.01 of the Loan Agreement, the Borrower shall:

(a) cause each Financial Intermediary to establish and maintain separate records and accounts to be used exclusively for the Project and to register in such accounts all its receipts and payments for, and in connection with, the carrying out of the Project, in accordance with appropriate accounting principles consistently applied; and

(b) cause the Central Bank to inspect at least once every year the accounts referred to in this Section and the financial statements relating thereto and furnish to the Bank a report of such inspection of such scope and in such detail as the Bank shall reasonably request.

#### ARTICLE V

##### Remedies of the Bank

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

(a) The Central Bank shall have failed to perform any of its obligations under the Subsidiary Agreement.

(b) The Central Bank Act or any Charter shall have been amended, suspended,

abrogated, repealed or waived so as to affect materially and adversely the operations and financial condition of the Central Bank, or a Financial Intermediary.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Central Bank or a Financial Intermediary or for the suspension of their operations.

(d) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of any 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 of the agreement providing therefor, or

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank 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 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower;

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

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

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and the Central Bank;

(b) the Statement of Policies, Operating Regulations and Lending Procedures for the BCF, satisfactory to the Bank, have been approved by the Borrower;

(c) the agreement with DFC referred to in Section 3.01 (c) of this Agreement has been executed on behalf of the Borrower and DFC;

(d) the Borrower shall have opened the account referred to in Section 3.09 of this agreement and deposited therein an amount in Belize dollars equivalent to \$100,000; and

(e) the Japanese Grant Agreement, the ODA Grant Agreement and the FAO Grant Agreement have been signed or other arrangements, satisfactory to the Bank, have been made by the Borrower for the financing of the technical assistance requirements of the Project amounting to \$700,000 equivalent.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Central Bank and is legally binding upon the Borrower and the Central Bank in accordance with its terms; and

(b) that the agreement with DFC referred to in Section 3.01 (c) of this agreement has been duly authorized or ratified by the Borrower and DFC and is legally binding upon the Borrower and DFC.



Section 6.03. The date October 19, 1988, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance 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:

Financial Secretary  
Ministry of Finance  
Belmopan  
Belize

Telefax:

011-501-08-2886

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
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.

BELIZE

By /s/ Edward Laing

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President  
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	)	100% of the amount of the Sub-Loan
(a) Sub-loans made by DFC	2,400,000) )	
(b) Sub-loans made by other Financial Intermediaries	4,600,000) )	
(2) Training	200,000	100% of foreign expenditures
(3) Goods, vehicles and materials	)	100% of foreign expenditures and 90% of local expenditures (off- the-shelf)
(a) for all parts of the Project other than C.1 thereof	200,000) ) )	
(b) for Part C.1 of the Project	100,000) )	
(4) Unallocated	300,000	
TOTAL	7,800,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

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

(a) in respect of a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 8 to this Agreement;

(b) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made on account of payments made for expenditures before that date but after May 16, 1988;

(c) in respect of a Facility Loan to be discounted from the BCF to any Financial Intermediary until such Financial Intermediary has been accepted by the Bank and the respective Participating Agreement has been entered into between such Financial Intermediary and the Borrower; and

(d) in respect of Part C.1 of the Project unless the agreement referred to in Section 3.01 (d) of this Agreement has been entered into between the Borrower and BCB.

4. Notwithstanding the allocation of Loan proceeds to Subcategories 1 (a) and (b) the Borrower and the Bank hereby agree that in the event that the Bank is satisfied that the amounts allocated to Subcategory 1 (b) will not be needed to meet such expenditures and that DFC is in compliance with the requirements of Section 3.10 of

this Agreement, the Bank may, at the request of and by notice to the Borrower, reallocate the proceeds of the Loan which are then allocated to Subcategory 1 (b), to Subcategory 1 (a).

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to assist the Borrower in financing such productive facilities and resources in Belize as will contribute to the development of agricultural exports; and (ii) to strengthen selected financial institutions providing agricultural services or credit.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A:

The financing of Investment Projects through Sub-loans to Investment Enterprises.

#### Part B: Strengthening of DFC

A program of institutional strengthening of DFC to expand and improve its efficiency for providing credit and its financial situation, especially in regard to liquidity and cash generation, including provision of vehicles, equipment and materials therefor, and training in banking practices and credit management.

#### Part C:

##### 1. BCB

A program of institutional strengthening, including provision of vehicles, equipment and materials required for banana development of BCB.

##### 2. Ministry of Agriculture and Natural Resources:

(a) A program of institutional strengthening of the Toledo District office of the Ministry of Agriculture in providing extension services for growers of cocoa, including the provision of equipment, materials, vehicles and tools therefor, and training to the Ministry's extension staff.

(b) A program to strengthen the capacity of the Toledo District office of the Ministry of Natural Resources in the preparation of land surveys and titling of cocoa farms, including the provision of equipment and tools required for such program.

(c) A program to strengthen the capacity of the Fisheries Department of the Ministry of Agriculture in providing extension services to shrimp farmers, including the provision of consultants' services and training therefor.

\* \* \*

The Project is expected to be completed by December 31, 1993.

## SCHEDULE 3

### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each April 15 and October 15	
beginning October 15, 1993	
through April 15, 2005	325,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
to the Loan on the	The interest rate (expressed as a percentage per annum) applicable balance outstanding on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 3 (c) of Schedule 8 to this Agreement, the Bank shall, in respect of any portion of the Loan; (i)

have received no applications or requests under sub-paragraphs (a) or (b) of said paragraph: or (ii) have denied any such applications or requests. The Bank may, by notice to the Borrower, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

## SCHEDULE 5

### Procurement

Section I. Procurement for Parts of the Project other than Part A thereof.

#### Procurement of Goods

##### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods estimated to cost the equivalent of \$75,000 or more, and vehicles shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Section I and II of the "Guidelines for Procurement under IBRD 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 Belize may be granted a margin of preference in accordance with, and subject to, the provisions of paragraph 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

##### Part C: Other Procurement Procedures

Items or groups of items estimated to cost less than the equivalent of \$75,000 per contract, up to an aggregate amount not to exceed the equivalent of \$250,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of three suppliers from countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

##### Part D: Review by the Bank 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 \$75,000 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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, said 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) of this Agreement and Section 3.02 (b) of the Project Agreement.

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

#### Section II. Procurement for Part A of the Project:

Contracts for goods and services to be financed out of the proceeds of the Sub-loans shall be procured at a reasonable price, account being taken also of other

relevant factors such as time of delivery and 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.

### Section III. 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 Bank.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 Loan 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 \$400,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank 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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan 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 Bank from the Loan 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 Bank, prior to or at the time of such request, such documents and other evidence as the Bank 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 Bank when either of the following situations first arises:

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the

equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 to the Bank, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Bank 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 Bank, refund to the Bank such outstanding amount for crediting to the Loan Account for immediate cancellation.

#### SCHEDULE 7

##### Action Plan for Part B of the Project

Actions	Date (by)
1. Appoint a chief for DFC's Loan Recovery Department.	June 30, 1988
2. Furnish to the Bank the recommendations of its study on the staffing, salary levels and organization of DFC, including a plan of action for implementation of such recommendations.	September 30, 1988
3. Employ 2 consultants to assist DFC in providing on-the-job training to DFC staff in banking practices, establishing a loan classification system and an index of loan collection, developing credit policies, and preparing a credit manual.	December 31, 1988
4. Carry out a detailed study on whether to pursue branch decentralization and resource mobilization and furnish to the Bank the recommendations thereof.	December 31, 1989
5. Employ a computer system consulting firm to review the software and hardware needs of DFC.	December 31, 1988
6. Commence implementation of the plan of action referred to in paragraph 2 above.	December 31, 1988
7. Adopt a loan classification system and an index of loan collection satisfactory to the Bank and implement such system promptly thereafter.	September 30, 1989

#### SCHEDULE 8

##### Procedures for and Terms and Conditions of Sub-loans

Section I.

1. General Terms and Conditions.

2. No expenditure for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 3 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan for an Investment Project (other than an Investment Project for sugar development) in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$300,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Investment Project, the foregoing amount being subject to change from time to time as determined by the Bank, provided, however, that the first ten Sub-loans made under the Project shall not be free-limit Sub-loans regardless of their amount.

3. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Central Bank for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1992.

4. Sub-loans shall be made on terms whereby the Financial Intermediary shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Financial Intermediary, including, in the case of any Sub-loan, the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate requests;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section II of Schedule 5 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation therein, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the



place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Financial Intermediary.

## Section II.

### Specific Terms and Conditions.

#### 1. Crops eligible for financing under Sub-loans.

Each Sub-loan may finance Investment Projects for the development of, or agro-industrial services for, any of the following crops: (a) bananas, citrus, cocoa, shrimp and other crops with export potential and (b) sugar, if the Investment Project is approved by the Bank.

#### 2. Currency of Sub-loans

Sub-loans may be denominated in dollars or Belize dollars.

#### 3. Amount of Sub-loan

Each Sub-loan may finance: (a) up to 85% of the estimated cost of the Investment Project in respect of Sub-loans made by DFC provided, however, that such percentage shall be lowered to 70% promptly after DFC begins to accept deposits; and (b) up to 70% of the estimated cost of the Investment Project in respect of Sub-loans made by other Financial Intermediaries. The balance between the amount of the Sub-loan and the cost of the Investment Project, shall be financed by the Investment Enterprise from other sources, including an amount of not less than 15% from its own resources.

#### 4. Repayment Period

The repayment period will not exceed fifteen years including a grace period not to exceed four years.

#### 5. Interest Rate

The Investment Enterprise shall pay interest on the principal amount of the Sub-loan withdrawn and outstanding: (a) in respect of Sub-loans made by DFC at a rate sufficient to cover at least the rate charged to DFC pursuant to Section 3.04 (a) (i) of this Agreement and a spread for DFC of at least 4 percentage points; and (b) in respect of Sub-loans made by other Financial Intermediaries at a rate sufficient to cover at least the rate charged to the Financial Intermediaries pursuant to Section 3.04 (a) (i) of this Agreement plus a spread for the Financial Intermediary not to exceed 6 percentage points.

