

**CONFORMED COPY**

**LOAN NUMBER 7439-PAN**

# **Loan Agreement**

**(Rural Productivity Project)**

**between**

**REPUBLIC OF PANAMA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 11, 2007**

**LOAN NUMBER 7439-PAN**

**LOAN AGREEMENT**

Agreement dated May 11, 2007, between REPUBLIC OF PANAMA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty nine million four hundred thousand Dollars (\$39,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. In the event that the Borrower selects not to capitalize the Front-end Fee, the Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any

waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.09. Without limitation upon the provisions of paragraph (a) of Section 2.08 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out Parts 1, Part 2 and 4 of the Project through MIDA and shall cause Part 3 of the Project to be carried out by ANAM, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall

ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) ANAM's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANAM to perform any of its obligations under the Subsidiary Agreement.
  - (b) The agreement dated June 23, 2006 between the Bank acting as an Implementing Agency of the Global Environment Facility and the Borrower ("GEF Grant Agreement") has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower and ANAM, acting thereunder as the implementing agency of the Borrower and the recipient of grant proceeds from the GEF Grant Agreement, to perform any of their respective obligations under the GEF Grant Agreement.
- 4.02. The Additional Events of Acceleration consist of the following, namely that any of the events specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

#### **ARTICLE V— EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Borrower and ANAM.
- 5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and ANAM and is legally binding upon the Borrower and ANAM in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen months after the Bank's approval of the Loan which expire on September 22, 2008.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Economy and Finance.

## 6.02. The Borrower's Address is:

Ministerio de Economía y Finanzas  
Dirección de Crédito Público  
Vía España, Calle 52  
Edificio OGAWA, 4to Piso  
Panamá, República de Panamá  
Facsimile:

(507) 507-7200

## 6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Panama City, Panama, as of the day and year first above written.

REPUBLIC OF PANAMA

By /s/ Héctor E. Alexander H.  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pamela Cox  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to contribute to increased productivity among organized rural small-scale producers of the Borrower's territory through their participation in productive alliances, while ensuring the sustainable use of natural resources and the conservation of globally important biodiversity.

The Project consists of the following parts:

#### Part 1: Support for Productive Alliances

- 1.1. Provision of support for the carrying out of all preparatory activities that contribute to the presentation by RPAs of viable business plans for proposed productive alliances.
- 1.2. Provision of technical advisory services to RPAs in connection with the preparation and the implementation of the Project and the execution of RPAs' approved business plans.

#### Part 2: Productive Alliances

The provision of Productive Grants to RPAs for the implementation of selected Productive Subprojects prepared in the context of business plans for productive alliances between RPAs and at least one agroprocessor, wholesaler or other commercial partner, to be carried out in the Borrower's provinces of *Herrera, Los Santos* and *Veraguas*.

#### Part 3: Environmental Subprojects and Strengthening of NPAS

The provision of: (a) Environmental Grants to CBOs for the carrying out of Environmental Subprojects in environmental resources; (b) support for the management of natural resources and the strengthening of NPAS; and (c) support for the monitoring, evaluation and management of this Part 3 of the Project by ANAM.

#### Part 4: Project Management, Monitoring and Evaluation

The provision of support for the implementation of the Project by MIDA and the establishment of a monitoring and evaluation system in relation thereto.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall:
  - (a) Maintain in MIDA, throughout Project implementation, personnel:
    - (i) adequate in numbers and with functions and resources at all times satisfactory to the Bank; including a coordinator, a financial management specialist and a procurement specialist, all to be selected in accordance with the provisions of Section III of this Schedule; and
    - (ii) responsible for the effective coordination of Parts 1, 2 and 4 of the Project, including procurement, financial management, audit, and monitoring and evaluation and all technical aspects in relation thereto.
  - (b) Ensure that MIDA submits Project annual operating plans and budgets to the Bank for its review and approval.
2. The Borrower shall establish for purposes of Parts 1, 2 and 4 of the Project, and maintain throughout Project implementation, a steering committee responsible for Project oversight and coordination, as set forth in the Operational Manual and which duties shall include:
  - (a) the approval of Project annual operating plans;
  - (b) overseeing Project performance; and
  - (c) suggesting necessary adjustments to Project implementation based on results of the Project monitoring and evaluation system.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of Part 3 of the Project by ANAM, the Borrower shall make part of the proceeds of the Loan available to ANAM under a subsidiary agreement between the Borrower and ANAM, under terms and



conditions approved by the Bank (“Subsidiary Agreement”), which shall include the following:

- (a) the commitment by ANAM to carry out the execution of Part 3 of the Project with staff having, at all times during Project implementation, experience and qualifications satisfactory to the Borrower and the Bank;
  - (b) the requirement that ANAM shall carry out the action plan agreed with the Bank, dated August 18, 2006, as amended through to January 24, 2007, to strengthen its financial management capacity for the Project; and
  - (c) the requirement that ANAM shall carry out Part 3 of the Project in accordance with the OM adopted by ANAM.
2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Implementation Documents**

- 1. (a) The Borrower has, through MIDA, adopted a Project operational manual dated January 31, 2007 and has caused ANAM to adopt a Project operational manual dated April 24, 2006, both satisfactory to the Bank, therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:
  - (i) (A) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the detailed institutional arrangements in respect thereof;
  - (ii) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;
  - (iii) the criteria for: (A) the eligibility of RPAs and CBOs; (B) the selection, approval, implementation, monitoring and evaluation of the Productive Subprojects and the Environmental Subprojects; (C) the terms and conditions for the Productive Grants and the Environmental Grants,

including, *inter alia*, the arrangements for the management of funds disbursed for the implementation of the Productive Subprojects; and (D) the model forms for the Productive Grant Agreements and the Environmental Grant Agreements;

- (iv) the Environmental Management Framework, the RPF and the IPP for the Project;
- (v) the plan for the training and capacity building activities under the Project;
- (vi) the plan for the monitoring and supervision of the Project, including all environmental, macroeconomic and social aspects in relation thereto; and
- (vii) the performance indicators for the Project.

(b) The Borrower shall, through MIDA, and shall cause ANAM to, carry out the Project in accordance with the respective OMs.

2. In the event that any provision of an OM shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
3. An OM may only be amended from time to time with the Bank's prior written consent.

#### **D. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

#### **E. Subprojects**

1. The Borrower shall: (a) through MIDA, enter into an agreement, satisfactory to the Bank, with an eligible RPA; and (b) cause ANAM to enter into an agreement, satisfactory to the Bank, with an eligible CBO, therein setting forth the respective obligations of the parties thereunder, notably with respect to the preparation and implementation of the Productive Subproject and the Environmental Subproject, respectively.
2. The Borrower shall, through MIDA, make a Productive Grant to an RPA and, shall cause ANAM to make an Environmental Grant to a CBO, both in accordance with eligibility criteria and procedures, all as set forth in the respective OMs and which shall include the following:

- (a) Subject to the provisions of paragraph (c) (i) hereunder, the Productive Grants from MIDA to RPAs and the Environmental Grants from ANAM to CBOs shall be made on a non-reimbursable basis to either MIDA or ANAM.
- (b) (i) The Productive Grants shall be made to RPAs to increase rural productivity in the context of productive alliances between RPAs and at least one agroprocessor, wholesaler or other commercial partner; and (ii) the Environmental Grants shall be made between ANAM and a CBO for small-scale investments in natural resource management and productive opportunities.
- (c) The Borrower shall, through MIDA, and shall cause ANAM to, obtain rights adequate to protect its interests and those of the Bank, including the right to:
  - (i) suspend or terminate the right of an RPA and a CBO to use the proceeds of a Productive Grant or an Environmental Grant respectively, or obtain a refund of all or any part of the amount of a Productive Grant or an Environmental Grant then withdrawn, upon the RPA's and the CBO's failure to perform any of their obligations under the Productive Grant Agreement and the Environmental Grant Agreement concerned; and
  - (ii) require each RPA and CBO to:
    - (A) carry out the relevant Productive Subproject and Environmental Subproject respectively with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank , including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;
    - (B) provide, promptly as needed, the resources required for the purpose;
    - (C) procure the goods, works and services to be financed out of the Productive Grant and the Environmental Grant in accordance with the provisions of this Agreement;
    - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators

acceptable to the Bank, the progress of the Productive Subproject and the Environmental Subproject and the achievement of their objectives;

- (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the relevant Productive Subproject and Environmental Subproject; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;
  - (F) enable the Borrower and the Bank to inspect the relevant Productive Sub-project and the Environmental Subproject, its operation and any relevant records and documents; and
  - (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.
3. The Borrower shall, through MIDA, exercise its rights under each Productive Grant Agreement, and cause ANAM to exercise its rights under each Environmental Grant Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

**F. Safeguards**

The Borrower shall, through MIDA, and shall cause ANAM to, ensure that RPAs and CBOs carry out respectively the Productive Subprojects and the Environmental Subprojects, all in accordance with the Environment Management Framework, the RPF and the IPP prepared for the Project.

**G. Other Implementation Arrangements**

- 1. Not later than 90 days after the Effective Date, MIDA shall have carried out the action plan agreed with the Bank dated August 18, 2006 as amended through to January 24, 2007 for the strengthening of MIDA's financial management capacity for the Project.

2. Not later than 90 days after the Effective Date, ANAM shall have carried out the action plan agreed with the Bank dated January 23, 2007 for the strengthening of ANAM's financial management capacity for the Project.
3. Not later than 30 days after the Effective Date, the Borrower shall cause ANAM to select, in accordance with the provisions of Section III of Schedule 2 to this Agreement and pursuant to terms of reference previously agreed with the Bank, and thereafter use throughout Project implementation for purposes of the Project, a pay agent acceptable to the Bank.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

1. The Borrower shall, through MIDA, and shall cause ANAM to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than July 31, 2013.

### **B. Financial Management, Financial Reports and Audits**

1. The Borrower shall, through MIDA, maintain and cause ANAM to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through MIDA, prepare and furnish to the Bank in respect of Parts 1, 2 and 4 of the Project and shall cause ANAM to prepare and furnish to the Bank in respect of Part 3 of the Project, all not later than one month after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall: (a) through MIDA, have the Financial Statements for Parts 1, 2 and 4 of the Project audited; and (b) cause ANAM to have the financial statements for Part 3 of the Project audited, all in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the said Project Financial Statements shall cover the period of one fiscal year of the Borrower and each audit of the financial statements for Part 3 of the Project by ANAM shall cover the period of one fiscal year of ANAM. The Project audited Financial

Statements for each such period and the audited financial statements of ANAM shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works and Non-Consultant Services.** All goods, works and Non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works and Non-Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding, subject to using Standard Bidding Documents agreed with the Bank
(b) Shopping, subject to using Standard Request for Quotations agreed with the Bank
(c) Direct Contracting, subject to the Bank's prior consent

(d) Commercial Practices for Productive Subprojects under Part 2 of the Project, as further set forth in the relevant OM
(e) Community Participation for Environmental Subprojects under Part 3 of the Project as further set forth in the relevant OM.

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection based on consultants’ qualifications
(d) Single Source Selection, subject to the Bank’s prior written consent
(e) Procedures for the selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May

2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions) to: (a) repay the Project Preparation Advance in accordance with Section 2.07 (a) of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below .

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b><u>Category</u></b>	<b><u>Amount of the Loan Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be financed</u></b>
(1) Goods, Works, Non- Consultant Services, Training, Consultants’ Services and Operating Costs for Part 1 of the Project.	6,400,000	100%
(2) Goods, Works and Services for Productive Subprojects under Part 2 of the Project.	19,000,000	100%
(3) Goods, Works and Services for Environmental Subprojects under Part 3 of the Project.	6,000,000	100%
(4) Goods, Works, Non- Consultant Services, Training, Consultants’ Services and Operating Costs for Part 3 of the Project.	2,350,000	100%
(5) Goods, Works, Non-Consultant Services, Training, Consultants’ Services and Operating Costs for Part 4 of the Project.	3,350,000	100%
(6) Refund of the Project Preparation Advance	900,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(7) Unallocated	1,400,000	
<b>TOTAL AMOUNT</b>	<b><u>39,400,000</u></b>	



**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) from the Loan Account (other than to repay the Project Preparation Advance) until the Bank has received payment in full of the Front-end Fee;
  - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed one million Dollars (\$1,000,000) may be made for payments for Eligible Expenditures made between January 31, 2007 and prior to the date of this Agreement; or
  - (c) under Categories (2) and (3) in the table of paragraph 1 above, unless: (i) a Productive Grant Agreement for the carrying out of a Productive Subproject and including adequate environmental mitigation measures in relation with its implementation, shall have been entered into between an RPA and MIDA and; (ii) an Environmental Grant Agreement for the carrying out of an Environmental Subproject and including adequate environmental mitigations measures in relation with its implementation, shall have been entered into between a CBO and ANAM, all the above in accordance with the criteria, procedures, terms and conditions set forth in the relevant OMs.
  
2. The Closing Date is January 31, 2013.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 15 and October 15:	
Beginning April 15, 2012 Through October 15, 2021	5%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

**APPENDIX****Section I. Definitions**

1. “ANAM” means *Autoridad Nacional del Ambiente*, the Borrower’s National Environment Authority, established by the Borrower’s *Ley* no. 41 dated July 1, 1998.
2. “ANAM’s Legislation” means the Borrower’s *Ley* no. 41 dated July 1, 1998.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CBO” means a community-based organization, including a rural producer organization, established and operating pursuant to the laws of the Borrower and which, upon meeting all criteria set forth in the OM, is determined to be eligible to receive an Environmental Grant for the carrying out of an Environmental Subproject under the Project.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “Environmental Grant” means a transfer of resources proposed to be made out of the proceeds of the Loan to a CBO under Part 3 of the Project.
8. “Environmental Grant Agreement” means an agreement between ANAM and a CBO as referred to in section I.E.1 (ii) of Schedule 2 to this Agreement.
9. “Environmental Management Framework” means the Borrower’s framework for the management of social and environmental aspects of the Project dated January 19, 2007 and disclosed to the public on even date therewith, as may be amended from time to time with the prior approval of the Bank.
10. “Environmental Subproject” means a specific investment in natural resources management that is proposed to be financed under Part 3 of the Project.
11. “Fiduciary Agency Agreement” means the agreement to be entered into between ANAM and an agent pursuant to Section I.G.3 of Schedule 2 to this Agreement, as the same may be amended from time to time.

12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 15, 2006).
13. “IPP” means the Borrower’s Indigenous People’s Plan for the Project dated January 19, 2007 and disclosed to the public on even date therewith.
14. “MEF” means the Borrower’s Ministry of Economy and Finance.
15. “MIDA” means *Ministerio de Desarrollo Agropecuario*, the Borrower’s ministry of agricultural development.
16. “Non-consultant services” means in respect of Categories (1), (4) and (5) in the table of Section IV.A.2 of Schedule 2 to this Agreement, services to be contracted for the carrying out of activities related to logistic expenses for training and printing and reproduction of training materials.
17. “NPAS” means, the Borrower’s National Protected Areas System or *Sistema Nacional de Áreas Protegidas*, established pursuant to *Ley 41* of the Borrower, dated July 1, 1998, as described and regulated in ANAM Resolution No. JD-09-94 of June 29, 1994 as amended to date.
18. “Operating costs” means in respect of Categories (1), (4) and (5) in the table of Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees.
19. “OM” and “Operational Manual” mean a manual for Project implementation as referred to in Section I.C.1 of Schedule 2 to this Agreement.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
21. “Procurement Plan” means the Borrower’s procurement plan for the Project signed and dated January 31, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “Productive Grant” means a transfer of resources proposed to be made out of the proceeds of the Loan to an RPA under Part 2 of the Project, subject to the

specific terms and conditions set forth in the OM and the relevant Productive Grant Agreement between MIDA and the RPA concerned.

23. “Productive Grant Agreement” means an agreement between MIDA and an RPA as referred to in Section I.E.1 (i) of Schedule 2 to this Agreement.
24. “Productive Subproject” means a specific income enhancing set of activities to be carried out by a RPA utilizing the proceeds of a Productive Grant made under Part 2 of the Project.
25. “Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on December 28, 2005 and on behalf of the Borrower on February 14, 2006.
26. “Protected Areas” means collectively the Borrower’s biodiversity areas (including buffer zones) as established under article 66 of *Ley* no.41 of the Borrower dated July 1, 1998.
27. “RPA” means Rural Producer Association, a group of rural citizens organized into a legally-constituted civil association for the common interest of improving their productivity, competitiveness and market orientation and which, upon meeting all criteria set forth in the OM, is found eligible under the Project to receive a Productive Grant on behalf of its members for the carrying out of a Productive Subproject.
28. “RPF” mean Resettlement Policy Framework, the Borrower’s process framework for persons to be potentially displaced on account of Project implementation dated January 19, 2007 and disclosed to the public on even date therewith.
29. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to ANAM.
30. “Training” means in respect of Categories (1), (4) and (5) in the table of Section IV.A(2) of Schedule 2 to this Agreement: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under said Section IV.A(2) of Schedule 2 to this Agreement.

Manju Ghumman  
M:\PANAMA\Projects\1030-Rural productivity\Execution Version of LA.doc  
05/14/2007 3:24:00

PM