Financing Agreement
(Private Sector Rehabilitation and Agribusiness Development Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 1, 2014
FINANCING AGREEMENT

AGREEMENT dated June 12, 2014, entered into between REPUBLIC OF GUINEA-BISSAU ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to five million three hundred thousand Special Drawing Rights (SDR 5,300,000) (variously "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MERI in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its minister responsible for economy and regional integration.

5.02. The Recipient’s Address is:

Ministério da Economia e Integração Regional
Avenida Combatentes da Liberdade da Pátria
Palácio do Governo, Caixa Postal no. 6
Bissau
Republic of Guinea-Bissau
Phone: (245) 6801-032

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at _Dakar, SENEGAL_ as of the day and year first above written.

REPUBLIC OF GUINEA-BISSAU

By

[Signature]

Authorized Representative

Name: _Soares Bambi_

Title: _Minister of Economy and Regional Integration_

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: _Vera Songwe_

Title: _Country Director_
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient’s inclusive development of the cashew agribusiness sector and to promote entrepreneurship in other sectors of its economy.

The Project consists of the following parts:

Part A: Promoting the Development of Agribusiness

Support the development of the cashew value chain through an integrated approach complemented by activities to promote rice production and address emergency food security issues while increasing the resilience of farmers to external shocks, obtaining buy-in from rural communities and developing sustainable and new economic opportunities in agribusiness, and inform future policies on structural change.

1. Agriculture: Improving plantations’ productivity and promoting diversification through, inter alia: (i) the provision of extension services; (ii) the introduction of optimal tree-density and pruning strategies, as well as intercropping of cashew with other staple, such as rice and sesame; (iii) provision of adequate agricultural inputs for rice production; (iv) preparation and distribution of manuals for recommended agronomic practices and strategies to diffuse this knowledge among farmers; (v) technical assistance to develop a cashew price information system; (vi) the rental of communal cashew nuts storage facilities and the provision of handling equipment, such as pallets and jute bags; and (vii) needs assessment of cashew trading guarantees schemes.

2. Cashew Agro-Processing: Improving the competitiveness of the Recipient’s cashew processing through a pilot program in a suitable cashew producing region by, inter alia: (i) establishing four new community based cashew processing primary units and one central unit in the regional cluster; (ii) providing equipment and working capital for the units; (iii) providing assistance in linking the cluster to the international markets; (iv) providing support for the promotion of industrial processing including through the preparation of business plans and promotional materials to help structure potential transactions; and (v) supporting the Recipient’s authorities to map and target specific international investors and attend trade shows and investment conferences to promote investments in the Recipient’s cashew agro-processing.

3. Institutional Building: Strengthening FUNPI institutional, administrative, operational and financial management capacity by providing technical assistance and financial audits while supporting the preparation of a socially and environmentally sensitive implementation manual.
Part B: Developing Entrepreneurship

Promote the private sector in the Recipient’s territory by supporting the creation of micro, small and medium enterprises and employment by tackling both demand-sided and supply-sided constraints, as well as inefficiencies in the overall business environment.

1. **Launching Young Start-Ups**: Equipping entrepreneurs, giving priority to youth with seed capital and managerial skills in order to launch sustainable new business ideas through a business plan competition.

2. **Improving Climate for New Investments**: Promoting increased efficiency on fundamental aspects of the environment for new investments in the Recipient’s territory in priority areas of the investment climate: (i) assessing needs in supporting the introduction of warehouse receipts along the value chains, including with the financial sector; (ii) convening stakeholders in a workshop to build implementation consensus on warehouse receipts; (iii) preparing legislation on agricultural warehousing receipts; (iv) providing technical assistance to review and rationalize customs documentary requirements, import/export/transit procedures, international trade monitoring systems, and regulations; (v) introducing small pilots that can reduce corruption at the borders; (vi) providing technical assistance in ensuring the sustainability of the one-stop-shop; (vii) assisting in introducing simplified tax regime for Micro, Small and Medium Enterprises; and (viii) equipping the tax authority with tax management software.

Part C: Project Coordination

Support the establishment and operation of the Project Coordination Unit to ensure efficient and effective Project management, compliance, capacity building, and monitoring and evaluation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall establish within one month of the Effective Date, and thereafter maintain throughout the period of Project implementation:

1. the Steering Committee to provide oversight for the Project and hold semi-annual reviews of performance and implementation; and

2. the Project Coordination Unit in charge of the day-to-day fiduciary management and coordination of the Project,

all with the composition and powers acceptable to the Association as further described in the Project Implementation Manual.

B. Annual Work Programs

1. The Recipient shall, not later than November 30 in each calendar year during Project implementation, prepare and furnish to the Association, a program of activities proposed for inclusion in the Project during the following calendar year ("Annual Work Program"), including: (a) a detailed timetable for the sequencing and implementation of said activities, (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures.

2. The Recipient shall exchange views with the Association on each such proposed Annual Work Program, and shall thereafter carry out such program of activities for such following year as shall have been agreed between the Recipient and the Association.

3. Only those activities which are included in an Annual Work Program shall be included in the Project. Notwithstanding the foregoing, the Annual Work Program might be amended from time to time to include new activities with the prior and written concurrence of the Association.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. Project Implementation Manual and Safeguard Documents

1. The Recipient shall carry out the Project or shall cause the Project to be carried out in accordance with the Project Implementation Manual and the Safeguard Documents.

2. The Recipient shall not amend the Project Implementation Manual or the Safeguard Documents without the prior written approval of the Association.

3. In the event of any conflict between the provisions of the Project Implementation Manual or the Safeguard Documents and this Agreement, the provisions of this Agreement shall prevail.

E. Business Development Agreements

1. To carry out Part B.1 of the Project, the Recipient, through the Project Coordination Unit, shall make In-Kind Capital Grants to eligible Entrepreneurs under a Business Development Agreement on terms and conditions approved by the Association, in accordance with eligibility criteria and procedures acceptable to the Association as further described in the Project Implementation Manual, and the terms of Reference for the business plan competition which shall include the following:

   (a) The eligible Entrepreneurs shall be selected under the regulations of the business plan competition for an In-Kind Capital Grant.

   (b) The Recipient, through the Project Coordination Unit, shall obtain rights under each Business Development Agreement adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Entrepreneurs to use the proceeds of the In-Kind Capital Grant, or obtain a refund of all or any part of the amount of said In-Kind Capital Grant, upon the Entrepreneur’s failure to perform any of his or her obligations under the Business Development Agreement; and (ii) require each Entrepreneur to carry out his or her obligations with due diligence and efficiency and in particular in accordance with the Project Implementation Manual and the Environmental and Social Management Plans.

2. The Project Coordination Unit shall exercise its rights under each Business Development Agreement in such manner as to protect the interests of the Recipient, the Entrepreneur and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Coordination Unit shall not assign, amend, abrogate or waive any Business Development Agreement or any of the provision thereof.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the Project Implementation Manual and found acceptable to the Association. Each Project Report shall cover the period of one calendar trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(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 Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing 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 Financing 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 Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding subject to the additional provisions referred to in subparagraph 3 below; (c) Shopping; and (d) Direct Contracting.

3. **Additional Provisions for National Competitive Bidding.** Procurement of goods, works and non-consulting services under National Competitive Bidding shall be carried out through an open tender as set forth in the Guinea-Bissau National Procurement Code (*Decreto Lei nº 4/2002* dated 3 December 2002), subject to the provisions of the Procurement Guidelines and the following additional provisions: (i) four (4) weeks will be provided for preparation and submission of bids, after the issuance of the invitation for bids or availability of the bidding documents, whichever is later; (ii) for all procurement of goods and works, standard bidding documents acceptable to the Association will be used; (iii) bids will be advertised in national newspapers with wide circulation and will be presented and submitted in one envelope; (iv) bid evaluation and bidder qualifications criteria will be clearly specified in the bidding documents; (v) no preference margin will be granted to domestic bidders; (vi) no eligible firm, whether foreign or domestic, will be excluded from the competition; and (vii) the results of the bid evaluation and of the award of the contract, and procedures for bidders to object, will be published.
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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least-Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to 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 Financing (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Table

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-Consulting Services, Consultants’ Services, In-Kind Capital Grants, Operating Costs, and Training for the Project except for Consultants’ Services (other than audits) for Part A.3 of the Project</td>
<td>4,540,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services (other than for audits) for Part A.3 of the Project</td>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td>670,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>5,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made under Category (1) prior to the date of this Agreement; and

   (b) for payments under Category (2) unless: (i) the Association has received the 2011, 2012 and 2013 FUNPI accounts audited in accordance with applicable standards acceptable to the Association and by independent auditors contracted in accordance with Section III of this Schedule with terms of reference, qualification and experience satisfactory to the Association; and (ii) said audited accounts have been be disclosed and made available to the public within the Recipient’s territory.

2. The Closing Date is December 31, 2019.
Section V. Other Undertakings

By December 31, 2016, or such other date as the Association shall agree upon, the Recipient through the Project Coordination Unit shall: (i) carry out jointly with the Association, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2024, to and including March 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 15, 2034, to and including March 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Work Program" means the annual work program to be prepared by the Recipient not later than November 30 in each calendar year during Project implementation including a program of activities proposed for inclusion in the Project during the following calendar year.


3. "Business Development Agreements" means any or all agreements signed between the Recipient, notably through the Project Coordination Unit, and Entrepreneurs for the implementation of Part B.1 of the Project through In-Kind Capital Grants, as further detailed in the Project Implementation Manual.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "Entrepreneurs" means eligible entrepreneurs developing activities under Part B.1 of the Project, whose needs have been identified and carefully justified in their business plans and who have been found eligible through a business plan competition to receive In-Kind Capital Grants under Business Development Agreements, as further detailed in the Project Implementation Manual.

7. "Environmental and Social Management Framework" means the Recipient’s environmental and social management framework, a document dated March 12, 2014, adopted and disclosed by the Recipient detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels, and (b) the actions needed to implement these measures, including monitoring and institution strengthening.

8. "Environmental and Social Management Plans" means the Recipient’s document to be prepared and disclosed in accordance with the Environmental and Social Management Framework with respect to Part B.1 of the Project, that detail: (i) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental or social impacts, or to
reduce them to acceptable levels, and (ii) the actions needed to implement these measures.

9. "FUNPI" means *Fundo de Promoção à Industrialização de Produtos Agrícolas* the Recipient’s fund for promotion of industrialization of agricultural products, as established and operating under the Recipient’s Decree No.19/2011 dated May 3, 2011.

10. “FUNPI Environmental and Social Guidelines” means the document to be prepared and adopted by the Recipient to orient FUNPI-financed activities and investments under Part A.3 of the Project.


12. “In-Kind Capital Grants” means non-cash grants extended or proposed to be extended in favor of Entrepreneurs for the implementation of Part B.1 of the Project, as further detailed in the Project Implementation Manual.

13. “MERI” means the Recipient’s Ministry in charge of economy and regional integration, and currently known as “*Ministério da Economia e Integração Regional*”.

14. “Operating Costs” means recurrent costs of the Project: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel and per diem costs for technical staff carrying out training, supervisory and quality control activities; (viii) bank fees; and (ix) salaries of support staff for the Project Coordination Unit and Steering Committee, but excluding salaries of the Recipient’s civil servants.


16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 4, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Project Coordination Unit” means the Project unit within the administrative structure of MERI in charge of the day-to-day management, implementation, monitoring and evaluation of the Project.
18. "Project Implementation Manual" means the manual dated April 4, 2014, for the implementation of the Project, including the administrative, accounting, financial, and operational procedures, *inter alia*: (A) the terms of reference, functions and responsibilities for the members or the personnel of the Steering Committee and the Project Coordination Unit; (B) the procedures for procurement of goods, works, non-consulting services, consultants’ services, In-Kind Capital Grants, Operational Costs, and Training under the Project; (C) the indicators to be used in the monitoring and evaluation of the Project; (D) the model forms for the customized statements of expenditures, the interim financial reports, and the Project Reports; (E) the eligibility criteria and selection process for the Entrepreneurs participating in the business plan competition under Part B.1 of the Project and the model form for the Business Development Agreements; and (F) flow and disbursement arrangements of Project funds; as said manual may be amended from time to time with the Association’s prior approval.

19. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on April 11, 2014, and on behalf of the Recipient on April 11, 2014.

20. “Safeguard Documents” means collectively Environmental and Social Management Framework as well as any other safeguard document developed during the Project implementation such as the Strategic Environmental and Social Assessment, the FUNPI Environmental and Social Guidelines, and the Environmental and Social Management Plans prepared in connection with the Project, if any.

21. “Steering Committee” means the Steering Committee for the Project, to be established and operating under a *Despacho* issued by the Recipient’s Minister in charge of economy and regional integration, which in charge of providing overall guidance and oversight for the Project.

22. “Strategic Environmental and Social Assessment” means the document to be prepared and adopted by the Recipient to assess environmental and social management issues for the cashew value chain under Part A of the Project

23. “Training” means the training of persons involved in Project-supported activities, based on the Annual Work Program approved by the Association, such as scholarships, tuitions, seminars, workshops, and study tours, and costs associated with such activities including travel and subsistence costs and per diems for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.