H. E. Hon Amara Konneh
Minister of Finance
Broad Street
1000 Monrovia 10
Republic of Liberia

Republic of Liberia: Smallholder Tree Crop Revitalization Support Project (Credit 5101-LR) – Amendment to the Financing Agreement

Excellency:

We refer to: (i) the Financing Agreement (the Agreement) for the above mentioned Project signed on July 18, 2012, between the Republic of Liberia (the Recipient) and the International Development Association (the Association), which became effective on July 20, 2013; and (ii) your letter dated January 14, 2014 No. GOL/FM/2-1/AMK/ste/7124/'14, and the Aide-Memoire agreed upon with us on April 4, 2014 requesting an amendment to the Agreement.

We are pleased to inform you that the Association concurs with your request and consequently hereby proposes to amend the Agreement as follows:

a. In Schedule 2 to the Agreement, sub-paragraph 3 of Part A of Section I (Credit Management) is deleted and replaced by the following:

"3. Credit Management

The Recipient, through its ministry responsible for finance ("MOF"), shall establish and maintain a credit management function to administer policies pertinent to the administration of the Smallholder Credit Facilities to be established under Part 1 of the Project, including the accreditation and supervision of PFIs in accordance with the provisions of paragraph D.1 of this Section I of this Schedule 2; and to handle other tasks related to the financial intermediation of long-term credit resources for Sub-project Beneficiaries undertaking Sub-projects in the oil palm and rubber sub-sectors under Part 1 of the Project, and the further development of credit facilities as required for the long-term development of the tree crops sector."

b. In Schedule 2 to the Agreement, Part C of Section I is deleted and replaced by the following language:

"C. Memorandum of Understanding (for Smallholder Credit Facilities -- Oil Palm and Rubber Sub-sectors)

1. The Recipient shall maintain, during the implementation of the Project, the MOU valid and binding for the carrying out of Part 1 of the Project for Sub-projects in the oil palm and rubber sub-sectors."
2. The Recipient shall not amend, abrogate or waive any provision of the MOU which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objectives of the Project, without prior approval of the Association.

3. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the MOU and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

4. The Recipient commits to provide, after the Project completion, an amount of funding for on-lending to the PFIs, sufficient to enable the Sub-project Beneficiaries to continue to be able to obtain adequate financing on reasonable terms to support such ongoing expenditures as may be required for the continued maintenance of the oil palm and rubber farms established under the respective Sub-projects, until they reach their productive phase.”

c. In Schedule 2 to the Agreement, Part D of Section I is deleted and replaced by the following language:

“D. Eligibility, Approval Procedure and Principal Terms and Conditions for the Subsidiary Credit Facility Agreements

1. Eligibility and Approval Procedures for the PFIs

The Recipient shall take measures to ensure that, before a Subsidiary Credit Facility Agreement may be entered into between MOF and a PFI, a determination shall have been made that such PFI:

(a) has been appraised in a satisfactory manner in accordance with the criteria set out in the PIM;

(b) has formulated a satisfactory plan of action to implement the relevant activities under Part I of the Project;

(c) has agreed to submit to the Recipient, during the duration of its Subsidiary Credit Facility Agreement and no later than six (6) months after the end of each fiscal year, beginning with the fiscal year during which the Subsidiary Credit Facility Agreement is entered into, an audit report which: (i) covers two (2) full years of its operations; (ii) is prepared by an independent auditor acceptable to the Association; and (iii) is free of any observation or qualification with respect to the operating conditions of such PFI which could have a materially adverse impact on the ability of such PFI to continue to carry out its role in financing the respective Sub-projects under Part I of the Project; and

(d) has established, and has agreed to maintain during the duration of its Subsidiary Credit Facility Agreement with the Recipient, a financial management system that adequately reflects the PFI’s resources, expenditures and operations.

2. Principal Terms and Conditions for the Subsidiary Credit Facility Agreements

In the case of each Smallholder Credit Facility to be established under Part I of the Project, the Recipient shall, through MOF:
entered into an agreement with the PFI concerned (the Subsidiary Credit Facility Agreement), providing for the inclusion of such PFI as a participant for purposes of undertaking the financial intermediation of the corresponding Smallholder Credit Facility, and setting forth the terms and conditions under which the corresponding amounts of Sub-project Financing shall be made available to such PFI for the purpose of financing the respective Sub-projects thereunder;

(b) relend to each PFI, out of the proceeds of the Credit allocated from time to time to Category (5) of the table set forth in paragraph A.1 of Section IV of this Schedule 2 to this Agreement, up to the maximum amount which such PFI may be eligible to draw under its Subsidiary Credit Facility Agreement in accordance with the terms and conditions thereof, and in accordance with the applicable policies of the respective Smallholder Credit Facility (the PFI's Sub-project Financing credit line), the amounts required to finance the reasonable costs incurred by the Sub-project Beneficiaries on account of the goods and services required for the carrying out of the approved Sub-projects, under the agreements to be entered into between the PFI and such Sub-project Beneficiary (the Sub-project Credit Agreements), under terms and conditions satisfactory to the Association, which shall include, without limitation, the terms and conditions referred to in paragraph 2 of Section I.E of this Schedule 2;

(c) coordinate the implementation of the long term credit activities under Part 1 of the Project and monitor the carrying out by the PFIs of their respective Subsidiary Credit Facility Agreements;

(d) take all actions necessary or appropriate to enable the PFIs to perform in accordance with the provisions of their respective Subsidiary Credit Facility Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and

(e) exercise its rights and carry out its obligations under the Subsidiary Credit Facility Agreements in such manner as to protect the interests of the Association and the Recipient and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such agreement or any provision thereof.”

d. In Schedule 2 to the Agreement, Paragraph 1(c) of Part B of Section IV is deleted and replaced by the following language:

“(c) under Category (5), in respect of Smallholder Sub-credits under Part 1 of the Project (oil palm and rubber sub-sectors), unless and until: (i) the corresponding Management Contract has been entered into under terms and conditions satisfactory to the Association; (ii) the Recipient shall have furnished evidence acceptable to the Association that the corresponding Subsidiary Credit Facility Agreement has been executed, and is legally binding upon the Recipient and the PFI concerned, in conformity with the provisions of paragraph 2 of Section I.D of this Schedule 2; and (iv) the Smallholder Sub-credit, and the Sub-project in respect of which the Smallholder Sub-credit is made, have been authorized or approved in accordance with the procedures set forth or referred to in paragraph E of Section I of this Schedule”.

e. In the Appendix to the Agreement, definitions 5 (CBL) and 42 (Subsidiary Financing Agreement) are deleted, a new definition 5 is inserted and the definition of “Subsidiary Credit Facility Agreement” is deleted and replaced by the following language:
"5. "MOU" means a memorandum of understanding executed between MOF and MOA, in form and substance satisfactory to the Association, governing the cooperation between MOF and MOA for the carrying out of Part 1 of the Project.

"41. Subsidiary Credit Facility Agreement" means any agreement entered into between the Recipient, through MOF, and a PFI selected in accordance with the provisions set forth or referred to in paragraph 1 of Section I.D of Schedule 2 to this Agreement."

All provisions of the Agreement which are not expressly modified in accordance with this Letter Amendment remain unchanged.

Please indicate your agreement with the foregoing, by countersigning and dating the two original copies of this letter and returning one countersigned original copy to the Association. Upon receipt by the Association of said original countersigned by the authorized representative of the Recipient and dated, this amendment shall become effective as of the date of countersignature of this letter.

Sincerely,

Yusupha B. Crookes
Country Director for Liberia
Africa Region

CONFIRMED:

REPUBLIC OF LIBERIA

By: ________________________________
Authorized Representative

Date: 15/08/14
CC:
- H.E. Hon Florence Chinoweth, Minister of Agriculture
- H.E. the Ambassador of the Republic of Liberia in the United States of America
- Kalyalya Denny Hamachila Executive Director for the Republic of Liberia at the World Bank