Development Credit Agreement

(Zou-Borgou Cotton Project)

BETWEEN

REPUBLIC OF DAHOMEY

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED MAY 24, 1972
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DATED MAY 24, 1972
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 24, 1972, between the REPUBLIC OF DAHOMEY (hereinafter called the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by the Borrower with the assistance of (i) Société Nationale Agricole pour le Coton (hereinafter called SONACO), a "Société d'État" existing under the laws of the Borrower pursuant to Borrower's Decree No. 71-238 of December 6, 1971; and (ii) Société de Commercialisation et de Crédit Agricole du Dahomey (hereinafter called SOCAD), a "Société d'État à caractère commercial et financier" existing under the laws of the Borrower pursuant to Borrower's Ordinance No. 72-4 of January 29, 1972; and

(C) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in project agreements of even date herewith between the Association and SONACO and SOCAD, respectively;

WHEREAS the French Republic is currently assisting in the financing of such project and is prepared to enter into agreements (hereinafter called the Conventions de financement) with the Borrower providing for grants to the Borrower in an aggregate principal amount equivalent to about $3,100,000;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):
(a) Section 5.01 is deleted;

(b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);

(c) Section 6.06 is amended by inserting the words ", the SONACO Project Agreement, the SOCAD Project Agreement" after the words "The Development Credit Agreement";

(d) Section 8.02 is amended by inserting the words ", the SONACO Project Agreement or under the SOCAD Project Agreement" after the words "The Development Credit Agreement"; and

(e) The following subparagraph is added to Section 2.01:

"13. The terms 'SONACO Project Agreement' and 'SOCAD Project Agreement' shall have the meaning set forth in the Development Credit Agreement".

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SONACO Project Agreement" means the agreement between the Association and SONACO of even date herewith, as the same may be amended from time to time;

(b) "SOCAD Project Agreement" means the agreement between the Association and SOCAD of even date herewith, as the same may be amended from time to time;

(c) The term "SONACO Statuts" means the Statuts of SONACO approved by Borrower's Decree No. 71-238 of December 6, 1971; the term "SOCAD Statuts" means the Statuts of SOCAD approved by Borrower's Ordinance No. 72-4 of January 29, 1972 and includes the provisions of the by-laws (règlement intérieur) to be adopted by SOCAD to the extent that they apply to the SOCAD cotton account;

(d) The letters CFDT mean "Compagnie Française pour le Développement des Fibres Textiles", a Société d'Economie Mixte existing under the laws of the French Republic;
(e) The letters SATEC mean "Société d'Aide Technique et de Coopération", a Société d'État existing under the laws of the French Republic;

(f) The letters IRCT mean "Institut de Recherches du Coton et des Textiles Exotiques", an association existing under the laws of the French Republic;

(g) The letters IRAT mean "Institut de Recherches Agronomiques Tropicales et des Cultures Vivrières", an association existing under the laws of the French Republic;

(h) The letters IRHO mean "Institut de Recherche pour les Huiles et Oléagineux", an association existing under the laws of the French Republic;

(i) The term "Project Area" means an area covering the Zou and Borgou départements of the Borrower;

(j) The letters PWD mean "Public Works Department", the department of the Ministry in charge of Public Works of the Borrower which is entrusted with the administration, maintenance and construction of the highway system of the Borrower;

(k) "Convention de mandat de gestion" means the agreement to be entered into between the Borrower and CFDT for the purposes of (i) purchasing and ginning seed cotton and (ii) marketing cotton lint and seed;

(l) The terms "CFA francs" and the letters "CFAF" mean francs in the currency of the Republic of Dahomey;

(m) The term "SOCAD cotton account" means the account referred to in paragraph (a) of Section 2.02 of the SOCAD Project Agreement;

(n) The term "participant" means a farmer participating in Parts A and B of the Project;

(o) The term "Village Group" means a group of farmers organized at the village level for the purpose of establishing a mutual guarantee fund;

(p) The term "SONACO Contract" means the agreement to be entered into between the Borrower and SONACO for the purposes of (i) the carrying out by SONACO, as executing agent of the Borrower, of Parts A, B and E of the Project; and (ii) keeping and administering the accounts respectively referred to
in subparagraph (a) (ii) of Section 3.06 of this Agreement with the exception of
the accounts in respect of the construction and equipment of the ginneries included
in Part C of such Project and the feasibility study included in Part F of such
Project;

(q) The term "agricultural lending procedures" means the procedures set
forth in Schedule 3 to this Agreement as such Schedule may be amended from
time to time; and

(r) The term "Agricultural Credit Fund" means the revolving credit fund
to be established under the Project and operated by SONACO on behalf of the
Government to provide cotton growers in the Project area with seasonal credits
for fertilizers and insecticides and medium-term credit for the purchase of farm
implements.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms
and conditions in the Development Credit Agreement set forth or referred to, an
amount in various currencies equivalent to six million and one hundred thousand
dollars ($6,100,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit
Account in accordance with the provisions of Schedule 1 to this Agreement, as
such Schedule shall be amended from time to time, for expenditures made (or,
if the Association shall so agree, to be made) in respect of the reasonable cost
of goods and services required for the Project described in Schedule 2 to this
Agreement and to be financed under the Development Credit Agreement; provided,
however, that, except as the Association shall otherwise agree, no withdrawal shall
be made on account of expenditures in the territories of any country which is
not a member of the Bank (other than Switzerland) or for goods produced in,
or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and
services (other than services for consultants) required for the Project and to be
financed out of the proceeds of the Credit shall be procured under procedures
consistent with the Guidelines for Procurement under World Bank Loans and IDA
Credits published by the Bank in August 1969, as revised in May 1971, and in
accordance with, and subject to, the provisions set forth in Schedule 3 to this
Agreement.
Section 2.04. The Closing Date shall be September 30, 1975 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing October 1, 1982 and ending April 1, 2022, each installment to and including the installment payable on April 1, 1992 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall through its Ministry of Rural Development and Cooperation carry out Parts A, B, C, E and F of the Project and through its PWD carry out Part D of the Project with due diligence and efficiency and in conformity with sound administrative, financial, agricultural and public works practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall take and cause to be taken all action necessary or appropriate to enable SONACO and SOCAD to perform their obligations under (i) the SONACO Project Agreement and the SONACO Contract, and (ii) the SOCAD Project Agreement, respectively, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation
and delivery thereof to the place of use or installation, and for such insurance
any indemnity shall be payable in a currency freely usable by the Borrower to
replace or repair such goods.

(b) Except as the Association shall otherwise agree, all goods and services
financed out of the proceeds of the Credit shall be used exclusively for the Project.

Section 3.03. The Borrower shall enter into a contract with CFDT, under
terms and conditions satisfactory to the Association, providing that CFDT shall
be responsible for the planning, designing and supervision of the construction of
the ginneries included in Part C of the Project.

Section 3.04. The Borrower shall employ qualified and experienced
consultants satisfactory to the Association, upon terms and conditions satisfactory
to the Association, in order to assist the Borrower in preparing the crop
diversification feasibility study included in Part F of the Project.

Section 3.05. The Borrower shall take all appropriate legislative or
administrative measures to entrust CFDT with the marketing of cotton seed and
shall not amend, suspend or abrogate such measures unless the Association shall
otherwise agree.

Section 3.06. (a) The Borrower shall establish and thereafter maintain (i)
within its Ministry in charge of Public Works a special account in respect of the
feeder road improvement program under Part D of the Project and (ii) within its
Ministry of Rural Development and Cooperation special accounts for the purposes
of Parts A, B, C, E and F of the Project.

(b) The Borrower shall (i) have such accounts audited at the end of each
fiscal year, in accordance with sound auditing principles consistently applied, by
its Contrôleurs d'Etat; (ii) furnish to the Association as soon as available, but in
any case not later than four months after the end of each such year, the report
of such audit by such Contrôleurs d'Etat, of such scope and in such detail as
the Association shall have reasonably requested; and (iii) furnish to the Association
such other information concerning such accounts and the audit thereof as the
Association shall from time to time reasonably request.

Section 3.07. (a) The Borrower shall establish and, except as the Association
shall otherwise agree, thereafter maintain, within its Ministry of Rural Development
and Cooperation, a revolving credit fund including interest and repayment income
which shall be administered by SONACO in accordance with the provisions of
the SONACO Contract and which shall be used exclusively for credit operations under Part B of the Project.

(b) The Borrower shall not amend the agricultural lending procedures without the prior approval of the Association.

Section 3.08. In carrying out Part A of the Project the Borrower shall employ CFDT and SATEC under terms and conditions satisfactory to the Association.

Section 3.09. In carrying out Part F of the Project the Borrower shall employ IRCT, IRAT AND IRHO under terms and conditions satisfactory to the Association.

Section 3.10. (a) The Borrower shall ensure that, in the Project area, at each echelon of its agricultural extension services, the person in charge of an unité d’exécution, or in his absence or inability to act, his immediate assistant shall have full responsibility for its operations.

(b) At all echelons of such extension services, the responsibilities of all personnel shall be specifically defined.

Section 3.11. Unless the Association shall otherwise agree, the Borrower shall use its share in the profits made by CFDT out of the purchasing and ginning of seed cotton and out of the marketing of cotton lint and seed annually to the Borrower by CFDT under the Convention de mandat de gestion or such arrangements as shall be made in accordance with the provisions of Section 4.02 of this Agreement, in the following manner:

(a) Whenever, in any fiscal year of SOCAD, the net balance of the amounts entered into the SOCAD cotton account in accordance with the provisions of paragraph (b) of Section 2.02 of the SOCAD Project Agreement is less than CFAF 500 million, such profits shall be allocated as follows:

(i) So long as the amount of such profits does not exceed CFAF 100 million, such amount shall be allocated to the SOCAD cotton account;

(ii) Any amount in excess of CFAF 100 million shall, to the extent necessary, be earmarked for the financing of the Borrower’s contribution under Part A of the Project and any amount remaining thereafter, if any, shall be allocated to the SOCAD cotton account.
(b) Whenever, in any fiscal year of SOCAD, the net balance of the amounts entered into the SOCAD cotton account in accordance with the provisions of paragraph (b) Section 2.02 of the SOCAD Project Agreement exceeds CFAF 500 million, such profits shall be allocated as follows:

(i) Such profits shall, to the extent necessary, be first earmarked for the financing of the Borrower's contribution under Part A of the Project;

(ii) Thereafter, such profits shall, to the extent necessary, be earmarked for the financing of cotton extension services outside the Project area and any amount remaining thereafter, if any, shall be allocated to the SOCAD cotton account.

Section 3.12. Before fixing cotton producer prices the Borrower shall, annually, consult the Association.

Section 3.13 (a) In carrying out Part D of the Project, the Borrower shall establish and maintain in its PWD, under the authority of its Director, a Special Unit; such Special Unit shall be provided with adequate and experienced personnel, equipment drawn from PWD's equipment and such supplemental equipment as shall be financed out of the proceeds of the Credit.

(b) In order to assist the Borrower in carrying out Part D of the Project, the Borrower shall employ consultants, upon terms and conditions satisfactory to the Association, and such consultants shall provide two highway technicians acceptable to the Association and such technicians shall be assigned to the Special Unit referred to in paragraph (a) of this Section.

(c) The general design standards for the roads included in Part D of the Project, shall be as set forth in Schedule 5 to this Agreement.

(d) The Borrower, through its PWD and on the basis of the recommendations made by SONACO pursuant to Section 2.03 of the SONACO Project Agreement, shall establish work schedules for the carrying out of the portion of Part D of the Project included in such recommendations, and shall obtain the prior approval of the Association before undertaking any work in connection therewith.

(e) The Borrower shall, through its PWD, adequately maintain the feeder roads included in Part D of the Project and the feeder road network serving the Project area.
ARTICLE IV

Other Covenants

Section 4.01. After the Project has been completed the Borrower shall, through its PWD, adequately maintain the feeder roads referred to in paragraph (e) of Section 3.13 of this Agreement and carry out promptly all necessary repairs thereof, all in accordance with sound engineering and economic standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.02. In the event the Convention de mandat de gestion is not renewed after its initial period of five years the Borrower shall make arrangements satisfactory to the Association for the carrying out of the operations theretofore entrusted to CFDT under such Convention de mandat de gestion.

Section 4.03. The Borrower shall annually review in consultation with the Association the level of cotton fertilizer subsidies to the cotton growers with the view to eliminating such subsidies not later than 1981.

ARTICLE V

Consultation, Information and Inspection

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

(a) exchange views through their representative with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by SONACO of its obligations under the SONACO Project Agreement and the SONACO Contract, the performance by SOCAD of its obligations under the SOCAD Project Agreement, the administration, operations and financial condition of SONACO and SOCAD, respectively, and, in respect of the Project of the departments or agencies of the Borrower responsible for carrying out any part of the Project, and other matters relating to the purposes of the Credit; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic
conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial conditions of SONACO and SOCAD, respectively, and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project.

(b) The Borrower and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, the performance by either of them of its obligations under the Development Credit Agreement or the performance by SONACO and SOCAD of their respective obligations under the SONACO Project Agreement and the SOCAD Project Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

ARTICLE VI

Taxes and Restrictions

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement and the SONACO and SOCAD Project Agreements shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.
ARTICLE VII

Remedies of the Association

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) SONACO shall have failed to perform any covenant, agreement or obligation of SONACO under the SONACO Project Agreement;

(b) An extraordinary situation shall have arisen which shall make it improbable that SONACO will be able to perform its obligations under the SONACO Project Agreement;

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SONACO or for the suspension of its operations;

(d) Any loan to SONACO having an original maturity of one year or more shall have become due and payable prior to its agreed maturity pursuant to the terms thereof, or any security for any such loan shall have become enforceable;

(e) The SONACO Contract shall have been amended, suspended, abrogated, terminated, waived or assigned without the prior approval of the Association;

(f) The SONACO Statuts shall be amended or abrogated without the prior approval of the Association;

(g) SOCAD shall have failed to perform any covenant, agreement or obligation of SOCAD under the SOCAD Project Agreement;
(a) The execution and delivery of the SONACO Project Agreement on behalf of SONACO has been duly authorized or ratified by all necessary corporate action.

(b) The execution and delivery of the SOCAD Project Agreement on behalf of SOCAD has been duly authorized or ratified by all necessary corporate action.

(c) The execution and delivery of the SONACO Contract on behalf of the Borrower and SONACO, respectively, have been duly authorized or ratified by all corporate and governmental action.

(d) The execution and delivery of the contracts referred to in Section 3.08 of this Agreement have been duly authorized and ratified by all necessary corporate and governmental action on behalf of the Borrower, CFDT and SATEC, respectively.

(e) The execution and delivery of the Convention de mandat de gestion have been duly authorized and ratified by all necessary corporate and governmental action on behalf of the Borrower and CFDT, respectively.

(f) The Directeur Général, Directeur Général Adjoint and Directeur Financier of SONACO have been duly appointed.

(g) All necessary action to permit SONACO to comply with the agricultural lending procedures set forth in Schedule 4 to this Agreement has been taken.

(h) SONACO has certified in writing to the Association that, as of a date to be agreed upon between the Association and SONACO (which shall be prior to the Effective Date) there has been no material adverse change in its condition since the date of this Agreement.

(i) SOCAD has certified in writing to the Association that, as of the date to be agreed upon between the Association and SOCAD (which shall be prior to the Effective Date) there has been no material adverse change in its condition since the date of this Agreement.

(j) All the measures referred to in Section 3.05 of this Agreement have been taken.

(k) SOCAD has taken to the satisfaction of the Association the measures referred to in Sections 4.02 (i) and 4.03 of the SOCAD Project Agreement.
Section 8.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) That the SONACO Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, SONACO, and constitutes a valid and binding obligation of SONACO in accordance with its terms.

(b) That the SOCAD Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, SOCAD, and constitutes a valid and binding obligation of SOCAD in accordance with its terms.

(c) That the SONACO Contract has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SONACO, respectively, and constitutes a valid and binding obligation of each of the parties thereto.

(d) That the Convention de mandat de gestion has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and CFDT respectively, and constitutes a valid and binding obligation of each of the parties thereto.

(e) That the contracts referred to in Section 3.08 of this Agreement have been duly authorized or ratified by, and executed and delivered on behalf of the Borrower, CFDT and SATEC, respectively, and constitute a valid and binding obligation of each of the parties thereto.

(f) That the action referred to in paragraph (g) of Section 8.01 of this Agreement has been duly and validly taken.

(g) That the measures referred to in Section 3.05 of this Agreement have been duly and validly taken.

Section 8.03. The date August 31, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. (a) The obligations of the Borrower under Sections 3.02 (b), 3.06, 3.11, 3.12, 3.13, 4.02 and 4.03 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date ten years after the date of this Agreement, whichever shall be the earlier.

(b) The provisions of paragraphs (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) and (k) of Section 7.02 of this Agreement shall cease and determine on the
date on which the Development Credit Agreement shall terminate or the date on which the SONACO Contract shall terminate in accordance with its terms.

**ARTICLE IX**

**Representative of the Borrower; Addresses**

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Contonou,  
Dahomey

Cable address:

Minifinances  
Cotonou

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Indevas  
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, having caused this Agreement to be
signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF DAHOMEY

By /s/ Wilfrid de Souza

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Aldewereld

Vice President
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. C.i.f. (Cotonou) cost of equipment and machines imported under Parts A, C and D of the Project (including assembly costs)</td>
<td>1,120,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>II. Construction costs under Part A, C and D of the Project; office furniture and supplies for Part A of the Project, and costs (salaries and operating expenses) of applied research and the agricultural diversification study under Parts E and F of the Project</td>
<td>1,990,000</td>
<td>90% of total expenditures</td>
</tr>
<tr>
<td>III. C.i.f. (Cotonou) cost of fertilizers, insecticides and agricultural equipment imported for the Project area under Part B of the Project</td>
<td>2,590,000</td>
<td></td>
</tr>
</tbody>
</table>
### Amount of the Credit Allocated

**(Category)** | **Amount (Expressed in Dollar Equivalent)** | **% of Expenditures to be Financed**
---|---|---
(A) | 1,900,000 | 100% of foreign expenditures before December 31, 1972 and 15% of foreign expenditures in each following year
(B) | 690,000 | 

**IV. Unallocated**

| **Unallocated** | **400,000** |
| **TOTAL** | **6,100,000** |

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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any country other than the Borrower; provided, however, that if the currency of the Borrower is also that of another country in the territories of which goods are produced or from the territories of which services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(b) the term "total expenditures" means the aggregate of foreign expenditures and of expenditures for goods produced in, or services supplied from, the territories of the Borrower.

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

(a) expenditures prior to January 1, 1972; and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by
the percentage set forth in the third column of the table in paragraph I above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph I above:

   (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;

   (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph I above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and

   (c) if the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

5. Notwithstanding the percentage set forth in the third column of the table in paragraph I above, if the estimate of foreign expenditures under sub-Category III (B) or of total expenditures under Category II shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.
SCHEDULE 2

Description of the Project

The Project consists of the following parts:

Part A: Staffing and equipping SONACO for the administration of the agricultural extension and credit services in the Project area;

Part B: Establishment of a revolving credit fund to provide cotton growers with (i) seasonal credits for insecticides and fertilizers and (ii) medium-term credit for the purchase of farm implements;

Part C: Construction of two additional ginneries in the Project area to increase annual ginning capacity from 43,000 tons of seed cotton to 67,000 tons;

Part D: Improvement of about 620 km of feeder roads including about 200 km in the Zou département and about 420 km in the Borgou département;

Part E: Field trials throughout the Project area to adapt research results for practical application by participants; and

Part F: Preparation of an agricultural diversification feasibility study in the Project area.

The Project is expected to be completed by December 31, 1974.
SCHEDULE 3

Procurement

1. (a) With respect to any contract under Categories I and III of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Credit Agreement, the Borrower shall invite bidders on the basis of international competition, and with respect to any contract for construction under Category II, only local bids shall be invited.

(b) With respect to any contracts for furniture and office equipment under Category II, the Borrower shall award the contracts according to procurement procedures satisfactory to the Association.

2. With respect to any contract for equipment, materials and goods under Categories I and III and for construction of stores, houses and offices under Category II estimated to cost the equivalent of $20,000 or more:

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.03 of this
Agreement, promptly inform the Borrower and state the reasons for such determination.

(d) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

3. With respect to any other contract for equipment, materials, goods and construction, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

4. For the purpose of evaluating bids for goods and associated services included in Categories I, II and III of the table set out in paragraph 1 of Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules:

(a) the term "Local Bid" means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Association) in such territories; any other bid shall be deemed to be a "Foreign Bid";

(b) the bid price under a Local Bid shall be the ex-factory price of such goods; and

(c) for the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts:

(i) the c.i.f. Cotonou price of such goods; and

(ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to
non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower.
SCHEDULE 4

Agricultural Lending Procedures

I. Short-Term Credit

Short-term credit shall be provided for insecticides and fertilizers.

(a) Eligibility

(i) All cotton growers shall be eligible for credit for insecticides because pest control is mandatory.

(ii) Fertilizer credits shall be granted only to participants without outstanding or unpaid debts.

(b) Rate of interest

Both for insecticides and fertilizers interest shall be charged at a rate equivalent to eight per cent (8%) per year.

(c) Procedures

(i) Applications for loans shall be made by participants through their local extension agent or Village Group. The sector chief shall centralize the total needs of the areas included in his sector. In the case of a participant who is a member of a Village Group, the approval of the chairman of such group shall also be required for any loan application.

(ii) The sector chief shall forward the approved applications to the chief of operations. After all necessary approvals are obtained, the applications from both the Zou and the Borgou départements shall be forwarded to SONACO.

(d) Recovery of loans

(i) Loans for insecticides shall be repaid by the individual participant in the form of fixed amount per kg of cotton marketed, whereas Village Groups shall make collective repayments according to actual costs of inputs delivered to such group.
(ii) Fertilizer loan repayments shall be recovered by SATEC and CFDT from the proceeds of cotton marketed by CFDT under the Convention de mandat de gestion. Such loans shall be repaid at actual selling prices, both by individual participants and by Village Groups acting collectively.

II. **Medium-Term Credit**

Medium-term credit shall be provided for ox-drawn equipment.

(a) **Eligibility**

Only a participant without debts outstanding or unpaid shall be eligible for medium-term credit. The net income of such participant in the previous crop year shall have been at least double the amount of the repayments which would be due under the loan applied for. In addition, the participant shall own a pair of oxen.

(b) **Credit term**

(i) Individual participants shall make a down payment of thirty-three and a third per cent (33-1/3%) of the value of the equipment and shall repay the balance in equal annual installments within the following two year period.

(ii) Participants who are members of Village Groups shall make a down payment of twenty-five per cent (25%) of the value of the equipment and shall repay the balance in equal annual installments within the following three year period. In addition, such participants shall pay 150 CFAF when making their down payment and when paying their subsequent annual installments in order to build up the Village Group's mutual guarantee fund.

(c) **Rate of interest**

For agricultural equipment the interest shall be charged at a rate equivalent to eight per cent (8%) per year.

(d) **Procedures**

The same procedures as those set forth in paragraph I (c) of this Schedule shall be applied.
(e) *Recovery of loans*

The recovery of loans shall take place when the cotton is marketed by CFDT under the *Convention de mandat de gestion*. When payment is overdue, the rate of interest shall be increased by fifty per cent (50%) for a period which shall not exceed one year; beyond that limit the equipment shall be repossessed.
## SCHEDULE 5

General design standards for feeder roads in the Project area

<table>
<thead>
<tr>
<th>Description</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearing width</td>
<td>7 m</td>
</tr>
<tr>
<td>Roadway width</td>
<td>4 m</td>
</tr>
<tr>
<td>Gravel course</td>
<td>Discontinuous</td>
</tr>
<tr>
<td></td>
<td>10 cm</td>
</tr>
<tr>
<td>Typical drainage structures</td>
<td>Ditches and outlets, culverts and concrete fords</td>
</tr>
</tbody>
</table>