LOAN NO. 263-EQ

LOAN AGREEMENT

(Crop Diversification and Agricultural Services Project)

between the

REPUBLIC OF EQUATORIAL GUINEA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated NOV. 1 2 1990

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LOAN AGREEMENT

AGREEMENT dated NOV 121990 between the REPUBLIC OF EQUATORIAL GUINEA (hereinafter called the "Borrower") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter called the "Fund").

WHEREAS:

- (A) the Borrower has requested a loan from the Fund for the purpose of financing Parts A(1)(a) and b(iii), A(2), B(1), B(3), B(4), B(5) and C of the project described in Schedule 1 to this Agreement (hereinafter called the "Project");
- (B) by a separate agreement (hereinafter called the "IDA Development Credit Agreement"), the International Development Association (hereinafter called "IDA") has agreed to extend a Credit to the Borrower in the aggregate amount equivalent to SDR 4 700 000 on terms and conditions therein set forth;
- (C) the Borrower intends to contract from the <u>Banque Arabe pour le Développement Economique en Afrique</u> (hereinafter called "BADEA") a loan (hereinafter called the "BADEA Loan") in an amount equivalent to \$ 3 900 000 to assist in financing the Project on the terms and conditions set forth in an agreement (hereinafter called the "BADEA Loan Agreement") to be entered into between the Borrower and BADEA;
- (D) the Borrower intends to contract from the Fund of the Organization of Petroleum Exporting Countries (hereinafter called the "OPEC Fund") a loan (hereinafter called the "OPEC Fund Loan") in an amount equivalent to \$ 1 500 000 to assist in financing the Project on the terms and conditions set forth in an agreement (hereinafter called the "OPEC Fund Loan Agreement") to be entered into between the Borrower and the OPEC Fund;
- (E) the Borrower intends to obtain from the World Food Programme (hereinafter called "WFP") a grant in kind (hereinafter called the "WFP Grant") equivalent to \$ 1 000 000 under its Food for Work Programme to assist in financing the Project on the terms and conditions set forth in an agreement (hereinafter called the "WFP Grant Agreement") to be entered into between the Borrower and WFP:
- (F) Parts B(5), B(6) and C(2) of the Project shall be carried out by the <u>Organización de Fomento Agrícola</u> (hereinafter called "OFA"), to be established by the Borrower, and for this purpose the Borrower shall make available to OFA for Part B(5) of the Project a part of the proceeds of the Loan provided for herein upon terms and conditions set forth in this Agreement;

- (G) the Loan is to be administered by the Cooperating Institution to be appointed by the Borrower and the Fund in accordance with the provisions of this Agreement; and
- (H) the Fund has agreed, on the basis, <u>inter alia</u>, of the foregoing to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, the Parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions; Cooperating Institution

Section 1.01. The General Conditions Applicable to Loan and Guarantee Agreements of the Fund, dated 19 September 1986, as modified by Section 4.01 of this Agreement, constitute an integral part of this Agreement (the said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the "General Conditions").

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and the Preamble to this Agreement and Section 1.02(a) to (i) of the IDA Development Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Poverty Alleviation Fund" or "PAF" means the facility referred to in Section 4.04 and paragraphs 10 to 12 of Schedule 3 to this Agreement;
- (b) "Project Area" means: (i) for Parts A, B(1), B(3), B(4), B(6) and C(1) of the Project, the entire territory of the Borrower; and (ii) for Parts B(2), B(5), C(2), C(3) and C(4) of the Project, Bioko and the Continental Region of the Borrower's territory, in particular the two districts of Mbini and Cogo, as it may be modified from time to time by agreement between the Borrower and the Fund; and
- (c) "Special Account" means the account referred to in Section 3.02 of this Agreement.

Section 1.03. The Borrower and the Fund agree to appoint IDA as the Cooperating Institution, with the responsibilities set forth in Article V of the General Conditions, to administer the Loan in accordance with the provisions of this Agreement.

Section 1.04. Except as specifically provided otherwise elsewhere in this Agreement or requested by the Fund, the Borrower shall address all communications and furnish all documents and information relating to this Agreement as set forth herein:

(a) directly to the Cooperating Institution on all matters:

- (i) under Sections 4.01 to 4.04 of this Agreement, including Schedules 3 and 4 thereto; and
- (ii) Articles VI and XI of the General Conditions, except for the Sections mentioned in paragraph (b) of this Section.
- (b) to the Fund and the Cooperating Institution, simultaneously, on all matters relating to Sections 6.01, 6.07, 6.08, 6.09, 6.10, 6.11, 6.12, 11.07, 11.11, 11.12, 11.13 and 11.18 of the General Conditions and Section 3.03(a) of the IDA Development Credit Agreement; and
- (c) to the Fund on all other matters with a copy to the Cooperating Institution.

ARTICLE II

The Loan

Section 2.01. The Fund agrees to lend to the Borrower from its regular resources an amount in various currencies equivalent to three million seven hundred thousand Special Drawing Rights (SDR 3 700 000).

Section 2.02. The Borrower shall pay to the Fund a service charge at the rate of one per cent (1%) per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The service charges on the Loan shall be payable semi-annually on 15 February and 15 August in each year in the currency referred to in Section 2.05 of this Agreement.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in 80 equal semi-annual installments of SDR 46 250, payable on each 15 February and 15 August, commencing on 15 February 2001 and ending on 15 August 2040, in the currency referred to in Section 2.05 of this Agreement.

Section 2.05. The currency of the French Republic is hereby specified for the purposes of Section 4.03 of the General Conditions.

ARTICLE III

Use of Proceeds of the Loan; Withdrawals from the Loan Account

Section 3.01. (a) The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Agreement.

(b) The Borrower shall, in addition to its own resources, make SDR 150 000 from the proceeds of the Loan available to OFA upon terms and conditions acceptable to the Fund, and shall cause OFA to apply such proceeds to the financing of expenditures on Part B(5) of the Project in accordance with Section 4.04 and paragraphs 10 to 12 of Schedule 3 to this Agreement.

Section 3.02. The Borrower shall, for the purposes of the Project, open and maintain in CFAF in a suitable commercial bank, acceptable to the Fund, a Special Account on terms and conditions satisfactory to the Fund. Deposits into and payments out of the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 3.03. The allocation of the proceeds of the Loan as provided in Section 6.08 of the General Conditions shall be in accordance with the Allocation Table set forth in paragraph 1 of Schedule 2 to this Agreement.

Section 3.04. The Closing Date shall be 31 December 1996 or such other later date as the Fund shall establish. The Fund shall promptly notify the Borrower of such date.

ARTICLE IV

Execution of the Project

Section 4.01. Subject to paragraph (b) of this Section, notwithstanding anything to the contrary in the Fund's General Conditions, for carrying out the Project:

- (a) the obligations of the Borrower set forth in Sections 3.01 and 3.03 to 3.13, Article IV, paragraphs 2 and 3 of Schedule 1, and Schedules 3 and 5 to the IDA Development Credit Agreement are incorporated herein as the Borrower's obligations to the Fund; and
- (b) for the purposes of this Section, the terms and phrases set forth herein, wherever they occur in the IDA Development Credit Agreement, shall be construed to refer to and, wherever necessary, modified as follows:
 - (i) "the Association": the Fund;
 - (ii) "the Credit": the Fund's Loan;
 - (iii) "Credit Agreement": the Fund's Loan Agreement;
 - (iv) "General Conditions": the Fund's General Conditions; and
 - (v) "Schedule 2" to the IDA Development Credit Agreement: Schedule 1 to the Fund's Loan Agreement.

Section 4.02. Procurement of goods and services to be financed from the proceeds of the Loan shall be carried out in accordance with the procedures laid down in Schedule 3 to the IDA Development Credit Agreement. Notwithstanding any provision to the contrary therein, all such goods and services shall be procured and engaged only from the Member States of the Fund.

Section 4.03. The Borrower shall take all reasonable measures to ensure that the execution and operation of the Project are carried out with due regard for environmental factors, including the maintenance of appropriate agricultural pesticide control practices.

Section 4.04. Except as the Fund shall otherwise agree, the Borrower shall cause OFA to establish and maintain a Poverty Alleviation Fund Account for the Project, to be operated on a revolving basis and in accordance with the provisions of paragraphs 10 to 12 of Schedule 3 to this Agreement, for keeping therein the principal and interest, net of operating and other expenses, received on the credits made to farmers under Part B(5) of the Project. Amounts available in the Poverty Alleviation Fund Account shall be used by OFA for the expansion of credit facilities under the Project to the beneficiaries consistent with this Agreement.

Section 4.05. (a) During the execution of the Project, the Borrower and the Fund shall periodically review the interest rates to be applied to the credits to be made out of the proceeds of the Loan. The Borrower, if necessary, shall take appropriate measures consistent with the policies of the Borrower in order to harmonise the interest rates on credits with the Fund's policy on relending rates.

(b) In the implementation of paragraph (a) of this Section, the Borrower shall ensure that OFA shall minimise its costs in executing Parts B(5), B(6) and C(2) of the Project, as it affects its margin of the interest spread.

ARTICLE V

Monitoring and Evaluation

Section 5.01. (a) The Borrower, in consultation with the Cooperating Institution, shall establish arrangements satisfactory to the Fund and the Cooperating Institution for monitoring the progress of the execution of the Project and for an ongoing evaluation of the effects of the Project and the impact of its various components on the Project beneficiaries.

- (b) Except as the Fund shall otherwise agree, the Borrower shall submit its proposal regarding arrangements and the terms of reference for monitoring and evaluation referred to in paragraph (a) hereof to the Fund and the Cooperating Institution for their comments not later than six months from the date of this Agreement, including information relating to:
 - (i) the organisation, staffing, location and status of the entity that shall be responsible for carrying out monitoring and evaluation on behalf of the Borrower;
 - (ii) the work programme and proposed budget allocation by the Borrower for monitoring and evaluation;

- (iii) the schedule of reporting by the Borrower to the Fund and the Cooperating Institution; and
 - (iv) any other matters which the Fund or the Cooperating Institution may request.
- (c) The Borrower shall finalise the monitoring and evaluation arrangements referred to in this Section in accordance with the recommendations, if any, of the Fund on its proposal and shall implement them, in consultation with the Cooperating Institution, in a manner satisfactory to the Fund.

Section 5.02. For Project completion evaluation, the Fund, either independently or in collaboration with the Cooperating Institution, may appoint, in consultation with the Borrower, consultants or an agency of its choice to evaluate, on the basis of relevant key indicators, the impact of the completed portions of and the whole of the Project on the beneficiaries of the Project.

Section 5.03. Except as the Fund shall otherwise agree, in carrying out its obligations under this Article, the Borrower shall take into account the Fund's "Guiding Principles for the Design and Use of Monitoring and Evaluation in Rural Development Projects and Programmes", as it may be amended from time to time by the Fund.

Section 5.04. The Borrower shall ensure that all necessary data and other relevant information from the Project executing agency and other entities concerned with the implementation of the Project and maintenance and operation of the facilities completed thereunder are made available promptly to the consultants/agency entrusted with the carrying out of any task under this Article.

ARTICLE VI

Suspension; Cancellation; Acceleration of Maturity

Section 6.01. The following are specified as additional events for the suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.02(q) of the General Conditions:

- (a) any of the events specified in Section 5 01 of the IDA Development Credit Agreement shall have occurred; and
- (b) any provision of the IDA Development Credit Agreement referred to in Section 4.01 of this Agreement shall have been amended, suspended or abrogated without the consent of the Fund.

Section 6.02. The following are specified as additional events for the acceleration of maturity for the purposes of Section 9.08(e) of the General Conditions:

- (a) any of the events specified under Section 5.02 of the IDA Development Credit Agreement shall have occurred; and
- (b) the event specified in paragraph (b) of Section 6.01 of this Agreement shall have taken place.

ARTICLE VII

Effectiveness; Termination

Section 7.01. Except as the Fund shall otherwise agree, the following are specified as additional conditions to the effectiveness of this Agreement for the purposes of Section 10.01(g) of the General Conditions:

- (a) the Special Account shall have been opened; and
- (b) the Borrower shall have agreed to implement the Project in accordance with the conclusions, reached after review thereof by the Borrower and the Fund, of the supplementary studies being carried out by the Fund.

Section 7.02. Except as the Fund shall otherwise agree, the condition to the effectiveness of this Agreement specified in Section 10.01(e) of the General Conditions shall only apply to the IDA Development Credit Agreement.

Section 7.03. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of this Agreement for the purposes of Section 10.04 of the General Conditions.

Section 7.04. Except as the Borrower and the Fund shall otherwise agree, the obligations of the Borrower under Article V of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on a date ten (10) years after the date of this Agreement, whichever shall be earlier.

ARTICLE VIII

Representatives; Addresses

Section 8.01. The Minister of Agriculture, Livestock, Fisheries and Forestry of the Borrower is designated as representative of the Borrower for the purposes of Section 14.02 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 14.01 of the General Conditions:

For the Borrower:

Minister of Agriculture, Livestock, Fisheries and Forestry Ministry of Agriculture, Livestock, Fisheries and Forestry Malabo Equatorial Guinea Telex Numbers:

939 5401 939 5405

Cable Address:

Minister of Agriculture, Livestock, Fisheries and Forestry Ministry of Agriculture, Livestock, Fisheries and Forestry Malabo Equatorial Guinea

For the Fund:

International Fund for Agricultural Development 107 Via del Serafico 00142 Rome, Italy

Telex Number:

620330 IFAD I

Facsimile Number:

(396) 5043463

Cable Address:

IFAD ROME

For the Cooperating Institution:

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

Telex Numbers:

248423 (RCA) 82987 (FTCC) 64145 (WUC) or 197688 (TRT)

Facsimile Number:

(202) 477 6391

Cable Address:

INDEVAS Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorised, have caused this Agreement to be signed in Rome, Italy, as of the day and year first above written.

REPUBLIC OF EQUATORIAL GUINEA

Signed by:

(Anatolio Ndong Mba)

Authorised Representative

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed by:

(Idriss Jazairy)

President

Description of the Project

- 1. The objectives of the Project are to alleviate rural poverty, improve family nutrition and food security, increase food production, promote local food marketing and raise foreign exchange earnings by import substitution and promoting the export of traditional and non-traditional crops, including food crops, in the Project Area.
- 2. The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Fund may agree upon from time to time to achieve such objectives:

Part A: Agricultural Development, Extension and Applied Research

- (1) The increase of agricultural production and productivity:
 - (a) on about 30 000 mainland farms producing food crops;
 - on about 8 600 hectares (ha) of cocoa lands on Bioko, comprising: (i) about 3 000 ha already (b) the Cocoa Rehabilitation under rehabilitated Project; (ii) about 3 600 ha of medium-size farms to be rehabilitated; and (iii) the rehabilitation of suitable 2 000 ha of abandoned distribution to the landless, plantations for near-landless, unemployed and sharecroppers; and
 - c) through diverting about 3 000 ha of marginal cocoa land on Bioko into production of non-traditional export crops.
- (2) The development of appropriate extension and applied research both on the mainland and Bioko by:
 - (a) the introduction of an appropriate system on a national basis to improve production techniques and the gradual integration of existing extension activities into the national extension service; and
 - (b) the establishment of basic applied research structures in: (i) Mbini and (ii) Bioko, each with a plant propagation unit to coordinate all applied research activities, and the conducting of field experiments on existing and new varieties of food crops and tropical fruits, for crop diversification and export promotion, as well as on small livestock.

Part B: Marketing, Credit and Input Supply

- (1) The preparation and implementation of a marketing strategy aimed at promoting local marketing, and the export of food crops to neighbouring countries, as well as the export of high quality cocoa and of non-traditional commodities to the world market.
- (2) The improvement of cocoa quality through cocoa fermentation and drying techniques.
- (3) The promotion of private sector marketing networks to increase local marketing of food and traditional and non-traditional export crops through the establishment of a marketing information system, market research and investment promotion activities.
- (4) The rehabilitation of roads along the export corridor of Mbini-Cogo and Evinayong-Akurenam, maintenance of rural feeder roads and purchase of a ferry to operate between Cogo, Akalayong and Coco-Beach in the Republic of Gabon.
- (5) The establishment of a Poverty Alleviation Fund (PAF), administered by OFA on a revolving basis, to supplement credit initiatives by financing part but no more than 40% of the downpayment required by OFA for village stores, food crop production and marketing, and any other credit requirements for smallholders, as may be approved by PAF's Management Committee.
- (6) The establishment of a Crop Diversification Fund (CDF), administered by OFA on a revolving basis, to promote the crop diversification programme in marginal cocoa production areas.

<u>Part C:</u> <u>Institutional Development</u>

- (1) The strengthening of MALFF's General Directorate for Training, Extension and Cooperative Development through the development of its managerial, budgeting and training capabilities.
- (2) The establishment of OFA to support small and medium-size farmer food production and marketing through the supply of agricultural inputs, the provision of marketing assistance and of seasonal, medium and long-term credit in cash or in kind through SAC, including the creation of a branch on the mainland to promote food production and marketing.

- (3) The promotion of small farmer and trader associations for their effective participation in marketing and input supply through training in simple bookkeeping, inventory control, group management and business procedures, and access to credit.
- (4) The carrying out of a land tenure study on Bioko.
- 3. The Project is expected to be completed by 30 June 1996.

Allocation and Withdrawal of Loan Proceeds

1. As provided in Section 6.08 of the General Conditions, the Table below sets forth the categories of goods, services and other items to be financed out of the proceeds of the Loan, allocation of the amounts of the Loan to each category and the percentages of expenditures for items to be financed in each category as such percentages may be amended from time to time by agreement between the Borrower and the Fund.

	<u>Category</u>	Amount of the Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
I.	Civil Works		
II.	Vehicles		
III.	Equipment		
IV.	Technical Assistance	450 000	20%
v.	Training and Studies, except for Inventory Control and the Land Distribution and Marketing Studies	500 000	55%
VI.	Credit:		
	(a) for the Poverty Alleviation Fund	150 000	100%
	(b) for the Crop Diver- sification Fund		
	(c) for the Farm Tools Revolving Fund		
VII.	Incremental Operating Costs	1 360 000	55%
VIII.	Incremental Staff Salaries	s 690 000	55% of local expenditures

IX.	Project Preparation Facility	
x.	Unallocated	550 000
	Total	3 700 000

Implementation; Operation; Other Matters

1. The Borrower shall carry out the Project, operate and maintain the facilities completed thereunder, except as the Fund shall otherwise agree, in accordance with the requirements set forth in this Schedule, in addition to the provisions contained elsewhere in this Agreement.

A. Organisation and Management

- 2. The Minister of Agriculture, Livestock, Fisheries and Forestry shall be responsible for the overall execution of the Project. The agricultural development and applied research operations shall be implemented by the General Directorate for Training, Extension and Cooperative Development (DGCEC). OFA shall, under the supervision of MALFF, be responsible for the provision of support services in credit, input supply and marketing.
- In accordance with Section 3.05 of the IDA Development Credit Agreement, the Borrower shall appoint а Project Director, qualifications, experience and terms and conditions acceptable to the Fund and the Cooperating Institution, to coordinate the implementation of the Project. He shall be supported by key technical assistance staff, with qualifications, experience and terms and conditions acceptable to the Fund and the Cooperating Institution, including a Project Coordinator (PC) and a Financial Adviser. The PC shall assist the Project Director in ensuring that the institutional development, training and sustainability objectives of the Project are attained and he shall work with the Financial Adviser and the General Manager of OFA to ensure that OFA's operations are placed on a commercial basis. The Project Director shall provide overall guidance and direction for the integration of food crop marketing, export promotion, extension and applied research and for the coordination of donor activities.
- 4. The Borrower shall cause MALFF to prepare and furnish to the Fund and the Cooperating Institution, not later than 30 October in each year, the Annual Work Programmes and Budgets referred to in Section 3.06 of the IDA Development Credit Agreement, including the training plans for counterpart and other local staff referred to in Section 3.08 of the IDA Development Credit Agreement. The Borrower shall incorporate the comments of the Fund into the said Annual Work Programmes and Budgets prior to their finalisation.
- 5. The Borrower shall establish a Management Committee, with composition, functions and terms of reference satisfactory to the Fund and the Cooperating Institution, within OFA to administer the Poverty Alleviation Fund. The Management Committee shall be composed of one representative of OFA, one representative of MALFF and representatives of beneficiaries, of whom at least half shall be women.

B. Agricultural Development, Extension and Applied Research

- 6. The Borrower shall ensure the effective rehabilitation of 2 000 ha of the Institute of Agricultural Development and Promotion (IDEPA) plantations and the allocation of the same to near-landless and landless farmers, the unemployed and sharecroppers in plot sizes ranging from 1 to 4 ha, depending on the ability of families to maintain plots with their own labour. The Borrower and the Fund shall use the information obtained from the IDA-financed socio-economic study of the rural sector to refine these guidelines. The Borrower shall grant appropriate land titles to allottees as expeditiously as possible.
- 7. The Borrower shall ensure the participation of competent rural development agencies and non-governmental organisations (NGOs), such as the Cooperative League of the United States of America (CLUSA), in relevant Project operations, such organisations and agencies having capacity in farmers' organisation and training, marketing and input supply. The Borrower shall, in cooperation with the Fund and as necessary, make available part of the proceeds of the Loan through a Memorandum of Understanding, acceptable to the Fund, to such organisations and agencies to facilitate their effective participation in the Project.
- 8. The Borrower shall promote the production and marketing of food crops and non-traditional exports and eliminate all export taxes on food crops in accordance with the Customs Union of Central African States' (UDEAC) provisions for exports to other UDEAC member countries.
- 9. In accordance with Section 3.09 of the IDA Development Credit Agreement, the Borrower shall undertake a study of the land tenure systems used on Bioko, giving special emphasis to the rights and responsibilities of sharecroppers and to ways of overcoming obstacles to productivity and production increases. The Borrower shall, in accordance with the recommendations of the study and in agreement with the Fund and the Cooperating Institution, expand the distribution of land to the landless, the near-landless, sharecroppers and the unemployed based on the experience obtained from the rehabilitation and distribution of 2 000 ha under the Project.

C. Poverty Alleviation Fund and Credit

- 10. The Borrower shall ensure that smallholders, the near-landless and the landless, including women, shall have equal access to OFA credit and shall be able to buy shares in OFA, either as groups or individuals. The Borrower shall ensure that the Fund is kept regularly informed on the process of the sale and allotment of shares to smallholders and rural traders, particularly women.
- 11. The Borrower shall, in accordance with Section 4.04 of this Agreement, establish a Poverty Alleviation Fund (PAF) on conditions satisfactory to the Fund and the Cooperating Institution. The PAF shall be used by OFA to support those landless, near-landless, unemployed and sharecroppers, particularly women, that are not able to meet the 50% down payment normally required by OFA for financing village stores, and to

provide additional credit, as may be required, for food crop production, marketing and such other credit requirements for smallholders as may be approved by the PAF's Management Committee.

12. The PAF shall be operated on a revolving basis to provide advances of not more than 40% of the group credit requirement for village stores and not more than 90% for short-term credit and shall have the following features: (a) the groups to benefit shall consist of only smallholders, the near-landless, the landless and the unemployed; (b) each group shall operate a savings programme into which members shall contribute equally; (c) each group shall establish a savings account and shall deposit into the account at least 15% of its credit requirement; (d) an advance to the group from the PAF shall be at the same interest rate as for OFA credit; (e) the PAF shall be administered by OFA through the Management Committee; and (f) recovery of the credit shall be through the same procedures as those used by OFA.

D. Other Matters

- 13. Further to the provisions of Section 11.10(a) of the General Conditions and Section 4.01 of the IDA Development Credit Agreement, the Borrower shall ensure that the accounts of the Project are audited by independent qualified auditors, acceptable to the Borrower and the Fund, the cost of which may be financed from the proceeds of the Loan.
- In accordance with Section 3.07 of the IDA Development Credit Agreement, the Borrower shall carry out a Mid-term Review (MTR) of the Project by not later than 31 December 1993 to evaluate Project performance in respect of its objectives, <u>inter alia</u>, including: (i) the target beneficiaries reached; (ii) the level of beneficiary participation, particularly of women; (iii) the effectiveness of credit operations in terms of beneficiaries; (iv) the volume of disbursement; (v) the type of enterprises financed; (vi) the loan recovery rate and credit agent performance; (vii) achievements of farmers' organisation efforts: (viii) the efficiency of input supply; (ix) the achievement of food crop marketing and its impact on food crop production; (x) the rehabilitation of 2 000 ha of cocoa plantation and its distribution and the granting of land titles to smallholders; (xi) the effectiveness of monitoring and evaluation; (xii) the market intelligence system: and (xiii) the performance by OFA of Parts B(5), B(6) and C(2) of the Project.
- 15. The Fund, in close collaboration with the Borrower and the Cooperating Institution, shall, on the basis of the MTR, carry out a Mid-term Evaluation not later than the first quarter of the fourth year of the Project to evaluate the overall achievements of the Project, institution-building and policy action thereunder and the impact on smallholders, the constraints encountered as well as any design reorientation that may be required.
- 16. The Borrower shall reach an agreement, including an agreement on the efficient operation of the common border passes, with the Government of the Republic of Gabon to facilitate the transshipment of food and non-traditional export crops from Cogo to Cocoa Beach no later than one year after the date of this Agreement.

Special Account

- 1. For the purposes of this Schedule:
- (a) the term "category" means a category of items to be financed out of the proceeds of the Loan as set forth in the Allocation Table in paragraph 1 of Schedule 2 to this Agreement;
- (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to Categories IV to VIII in accordance with the provisions of Schedule 2 to this Agreement;
- (c) the term "Authorised Allocation" means an amount equivalent to \$ 250 000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.
- 2. Except as the Fund, in consultation with the Cooperating Institution, shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
- 3. After the Fund has received evidence satisfactory to the Fund that the Special Account has been duly opened, withdrawals of the Authorised Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:
- (a) on the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorised Allocation, the Fund shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested;
- (b) the Borrower shall furnish to the Fund requests for replenishment of the Special Account at such intervals as the Fund shall specify. On the basis of such requests, the Fund shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Each such deposit shall be withdrawn by the Fund from the Loan Account under the respective categories and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.
- 4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3(b) of this Schedule, the Borrower shall furnish to the Fund, prior to or at

the time of such request, such documents and other evidence as the Fund shall reasonably request, showing that such payment was made for eligible expenditures.

- 5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Fund when either of the following situations first arises:
 - (i) the Fund shall have determined that the Borrower shall make all further withdrawals directly from the Loan Account in accordance with the provisions of paragraph (a) of Section 6.01 of the General Conditions; or
 - (ii) when the total unwithdrawn amount of the Loan allocated to Categories IV to VIII, minus the amount of any outstanding special commitment entered into by the Fund pursuant to Section 6.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Authorised Allocation.
- (b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to Categories IV to VIII shall follow such procedures as the Fund shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Fund shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice have been or will be used in making payments for eligible expenditures.
- 6. (a) If the Fund shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Fund, deposit into the Special Account or, if the Fund shall so request, refund to the Fund an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Fund into the Special Account shall be made until the Borrower has made such deposit or refund.
- (b) If the Fund shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Fund, refund to the Fund such outstanding amount for crediting to the Loan Account.
- (c) Except as the Fund shall otherwise agree, any refund under paragraph 6 of this Schedule shall be made to the Fund in the currency used by the Fund for the purpose of withdrawals from the Loan Account.

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