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CREDIT NUMBER 3489-UG
CREDIT NUMBER 3490-KE
CREDIT NUMBER 3491-TA
CREDIT NUMBER 3492-MAI
CREDIT NUMBER 3493-ZA
CREDIT NUMBER 3494-RW
CREDIT NUMBER 3495-BU

Project Agreement

(Regional Trade Facilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AFRICAN TRADE INSURANCE AGENCY

Dated June 8, 2001

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PROJECT AGREEMENT

AGREEMENT, dated June 8, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AFRICAN TRADE INSURANCE AGENCY (ATI).

WHEREAS (A) by Development Credit Agreements of even date herewith between Republic of Burundi, Republic of Kenya, Republic of Malawi, Republic of Rwanda, United Republic of Tanzania, Republic of Uganda and Republic of Zambia (collectively, the Borrowers), respectively, and the Association, the Association has agreed to make available to the Borrowers, credits in the aggregate amount equivalent to eighty-one million three hundred thousand Special Drawing Rights (SDR 81,300,000), on the terms and conditions set forth in the respective Development Credit Agreements, but only on condition that ATI agree to undertake such obligations towards the Association as are set forth in this Agreement;

(B) by participation agreements of even date herewith between each of the Borrowers respectively, and ATI, the Borrowers and ATI have agreed the terms and conditions under which ATI shall operate the Insurance Facility on behalf of the Borrowers;

(C) by the Development Credit Agreement of even date herewith between ATI and

the Association (the ATI Development Credit Agreement), the Association has agreed to make available to ATI an amount in various currencies equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000), on the terms and conditions set forth in the ATI Development Credit Agreement; and

WHEREAS ATI, in consideration of the Association's entering into the ATI Development Credit Agreement with itself and in consideration of the Association's entering into Development Credit Agreements with the Borrowers, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreements, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) ATI declares its commitment to the objective of the Project as set forth in Schedule 2 to each of the Development Credit Agreements, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and insurance practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and ATI shall otherwise agree, ATI shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) For the purposes of carrying out the Project, ATI shall:

- (i) enter into the Insurance Facility Agreement and the Security Trust Agreements, such agreements to contain terms and conditions satisfactory to the Association, including (except as the Association shall otherwise agree) those set forth or referred to in Schedule 1 to this Agreement;
- (ii) enter into and cause the Insurers to enter into Insurance Contracts;
- (iii) enter into coinsurance arrangements, if needed, on terms and conditions satisfactory to the Association; and
- (iv) duly and punctually comply with all its obligations under the Project Documents to which it is a party or by which it is bound.

(b) Without limitation upon the provisions of Section 2.01 of this Agreement or paragraph (a) of this Section, and except as the Association and ATI shall otherwise agree, ATI shall:

- (i) carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, as well as in conformity with the provisions of the Agreement Establishing ATI; and
- (ii) in accordance with the principles, rules and procedures set forth in the Operations Manual, review and consider applications for, enter into, and monitor and evaluate the Insurance Contracts.

Section 2.03. (a) ATI shall carry out, as applicable, the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports,

maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, ATI shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and ATI, a plan for the future operation of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with ATI on said plan.

Section 2.04. ATI shall duly and punctually perform all its obligations under the Operations Manual and under the other Project Documents to which it is a party or by which it is bound. Except as the Association shall otherwise agree, ATI shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any of the Project Documents to which it is a party or any provision thereof.

Section 2.05. (a) ATI shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under the Operations Manual and the other Project Documents to which it is a party or by which it is bound, and other matters relating to the purposes of the Credit.

(b) ATI shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by ATI of its obligations under the Operations Manual and the other Project Documents to which it is a party or by which it is bound.

Section 2.06. ATI shall:

(a) on the first day following each six-month period after the Effective Date, furnish to the Association a report, in such detail as the Association shall request, on the Insurance Contracts issued and, if applicable, the Payments made during such period; and

(b) promptly after the expiry of the Insurance Facility, but in any event not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and ATI, prepare and furnish to the Association a report, of such scope and detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Association, the Borrowers, ATI, the Insurers, and the Security Trust Account Trustee(s) of their respective obligations under the Development Credit Agreements, the Project Agreement and the other Project Documents, respectively, and the accomplishment of the purposes of the Credit.

Section 2.07. Concurrently with the delivery thereof to any of the Borrowers, ATI shall provide the Association with a copy of each notice issued by it pursuant to Section 4.02 of the relevant Participation Agreement.

Section 2.08. Within thirty (30) days following the end of each calendar quarter commencing after the date of the first withdrawal of the Credit under each of the Development Credit Agreements, ATI shall deliver a written report to the Association and to each Borrower, respectively, specifying, on an aggregate basis, for each such Borrower, as at the last business day of the preceding calendar quarter, the status of Eligible Investments, including, without limitation, those Eligible Investments made and sold, if any, by ATI during the preceding calendar quarter, and providing reasonable particulars as to the nature, principal amount, and term (if any) thereof, as well as the interest rate applicable thereto, and the principal amount of any proceeds of disposition, as well as the costs and expenses related to such disposition, if any, as the case may be.

ARTICLE III

Management and Operations of ATI

Section 3.01. (a) ATI shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and insurance practices and in compliance with the provisions of the Operations Manual, under the supervision of qualified and experienced management assisted by competent staff and consultants in adequate numbers and with suitable qualifications and, where financed by the Association, under terms of reference acceptable to the Association.

(b) ATI shall not, without the prior written consent of the Association, amend or otherwise alter the Operations Manual or any provision thereof.

Section 3.02. ATI shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound operating practices.

Section 3.03. ATI shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association, for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ATI shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with sound accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition, and to register separately the operations, resources and expenditures related to the Project.

(b) ATI shall:

(i) have its records, accounts (including, without limitation, the Security Trust Accounts and the Income Accounts maintained for each Borrower) and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited; and (B) an opinion on such statements and report of such audit, by said auditors, 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 records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the first of the Development Credit Agreements becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ATI hereunder shall terminate on the earlier of the following two dates:

(i) the date on which the last of the Development Credit Agreements shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the last of the Development Credit Agreements terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ATI of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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.

Telex:

248423 (MCI)
64145 (MCI)

Facsimile:

(202) 477-6391

For African Trade Insurance Agency:

P.O. Box 30027
Nairobi
Kenya

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ATI, or by ATI on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Managing Director or such other person or persons as the Managing Director of ATI shall designate in writing, and ATI shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Durban, South Africa, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

AFRICAN TRADE INSURANCE AGENCY

By /s/ Eratus J.O. Mwencha

Authorized Representative

SCHEDULE 1

Part A: Credits

1. Applications for withdrawal of the respective Credits made on behalf of each of the Borrowers by the Managing Director of ATI and any person or persons whom he or she shall designate in writing pursuant to the designation provided in paragraph (a) of Section 2.09 of each of the Development Credit Agreements:

(a) shall each be in an amount equivalent to twenty-five per cent (25%) of the relevant Credit;

(b) shall include the documentation required pursuant to Article V of the General Conditions;

(c) where only one Security Trust Account has been opened at the relevant date on behalf of a particular Borrower, shall each request that the Association transfer to the Security Trust Account the entire proceeds of the amount of the relevant Credit applied to be withdrawn thereunder or, in the event that there is more than one Security Trust Account for a particular Borrower at the relevant date, the proportion of such proceeds that is to be deposited into each one of the relevant Security Trust Accounts;

(d) shall, with respect to the first such application for withdrawal for each Borrower, be delivered to the Association promptly following confirmation by the Association that the conditions of effectiveness specified or referred to in the relevant Development Credit Agreement have been fulfilled; and

(e) shall, with respect to the second and subsequent applications for withdrawal for each Borrower, be delivered to the Association promptly once the aggregate principal amount of new Insurance Contracts issued by ATI in respect of a particular Borrower since the date of delivery of the immediately preceding relevant application for withdrawal is equal to two hundred per cent (200%) of the amount specified in clause (a) of this paragraph (1), unless the Insurance Facility Agreement stipulates a leverage ratio in respect of any Borrower which is less than 2.00 to 1.00, in which latter case the percentage aforementioned shall be equal to one hundred per cent (100%) of the amount specified in said clause (a) of this paragraph (1).

Part B: Insurance Facility Agreements

1. Except as the Association shall otherwise agree, ATI shall use its best efforts to ensure that the Insurance Facility Agreements to be concluded with the Insurers provide for the following general principles, in a manner satisfactory to the Association:

(a) the Borrowers shall not have any liability, contingent or otherwise, to any Insurer or ATI in respect of any Payment which relates to any of the matters referred to in paragraph 1(b) of Part B of this Schedule 1, or for any other reason whatsoever, in excess of the funds in the relevant Security Trust Account(s) at the relevant date;

(b) with the exception only of funds to be released to the Borrowers following the winding up of the trust created by the Security Trust Agreement(s), funds in the Security Trust Account(s) shall be released by the Security Trust Account Trustee(s) only for the purpose of making Payments pertaining to any of the transactions contemplated in paragraphs (a), (b) and (c) of Section 4.03 of the Participation Agreements;

(c) the Security Trust Account Trustees shall provide to the Borrowers and the Association:

(i) written confirmation of the date and amount of each deposit into the relevant Security Trust Account of the funds that ATI has

requested the Association be withdrawn from the relevant Borrower's Credit Account pursuant to applications for withdrawal referred to in paragraph (a) of Section 3.02 of the relevant Participation Agreement, promptly following each such deposit; and (ii) written confirmation of the date and amount of each withdrawal from the relevant Security Trust Account by such Security Trust Account Trustee for the purpose of making Payments in the circumstances contemplated in Section 4.02 of the relevant Participation Agreement, promptly following each such withdrawal;

(d) funds in a Security Trust Account shall earn interest at a rate to be specified in the relevant Security Trust Agreement, which interest shall be paid by the relevant Security Trust Account Trustee into the corresponding Income Account at the times to be provided in such Security Trust Agreement;

(e) subject to Part D of Schedule 3 of each Development Credit Agreement, funds in any Income Account shall be for the Participant's own account exclusively and shall not be governed by the terms of any Security Trust Agreement;

(f) to issue an Insurance Contract upon receipt of a request from ATI to the Insurers and receipt of the related insurance fee;

(g) to make Payments to the Insured in accordance with the procedures specified or referred to in the Insurance Facility Agreements and the Operations Manual;

(h) to ensure, prior to issuing an Insurance Contract to a given Insured, that on the relevant date the maximum amount of such Insurance Contract when added to the contingent liability under all then other outstanding Insurance Contracts held by such Insured does not exceed the sum specified in that respect in the Operations Manual;

(i) to report to the Association on a quarterly basis in respect of the Insurance Contracts issued during the preceding calendar quarter; and

(j) to manage each of the Security Trust Accounts and each of the Income Accounts in the manner prescribed by Schedule 3 to each of the Development Credit Agreements.

SCHEDULE 2

Implementation Program

Part A: Insurance Facility

1. For the purpose of carrying out of the Project, ATI shall:

(a) review applications for Insurance Contracts to verify that each transaction proposed to be covered by the relevant Insurance Contract meets the following criteria:

(i) it does not involve goods which are intended for a military or paramilitary purpose or for luxury consumption or are included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrowers and ATI:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof,

fuel elements (cartridges), non-irradiated for nuclear reactors

728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(ii) it complies with the environmental standards satisfactory to the Association, which are set forth in the Operations Manual, as well as with all applicable environmental laws and regulations of the relevant Borrower;

(iii) it serves a productive purpose by virtue of financing goods to be used for production by enterprises in the territory of the relevant Borrower or for enhancing the production capacity of such enterprises;

(iv) its maturity is consistent with the production cycle or repayment capacity of the enterprise in the territory of the Borrower which receives the goods; and

(v) its value is not less than the amount specified in the Operations Manual, if any;

(b) ensure, prior to issuing an Insurance Contract to a given Insured, that on the relevant date the maximum amount of such Insurance Contract when added to the contingent liability under all the other outstanding Insurance Contracts held by such Insured, does not exceed the sum specified in that respect in the Operations Manual;

(c) unless the Association directs otherwise by notice to the Borrowers and ATI, submit to the Association for prior review and approval each application approved by ATI for a proposed Insurance Contract, together with ATI's evaluation of such application based on the criteria set forth in paragraph (a) of this Schedule 2 to the Project Agreement;

(d) issue or cause to be issued Insurance Contracts, upon receipt of no objection from the Association;

(e) notify the relevant Borrower and the Association of any notice of potential Loss filed by the Insured under an Insurance Contract, investigate whether the events giving rise to the alleged Loss can be remedied, and, if so, use its best efforts to remedy or seek to remedy the same within 45 days of filing of such notice;

(f) within 15 days of filing of a claim by an Insured, determine whether Payment is due and notify the Insurers, the relevant Borrower and the Association of the determination made; and

(g) maintain copies of and retain for at least one year after the Closing Date, all Insurance Contracts issued and all records relating to each such Insurance Contract.

2. ATI shall not enter into any Insurance Contracts under the Insurance Facility after the First Insurance Facility Closing Date.

Part B: Other Implementation Related Matters

1. ATI shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an on-going basis, in accordance with the performance indicators included in Schedule 4 to each of the Development Credit Agreements and any others that may be satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about the third anniversary of the Effective Date, a

report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section 1, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by the third anniversary of the Effective Date, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section 1, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter. Without limiting the generality of the foregoing, in the event that by the third anniversary of the Effective Date: (A) at least fifty per cent (50%) of any of the Credits has not been withdrawn from the relevant Credit Account in accordance with the provisions of Schedule 3 to the relevant Development Credit Agreement; or (B) the operations of ATI are not self-financing; then ATI shall take all corrective measures necessary under the circumstances, based on the Association's views on the matter.

