

CONFORMED COPY

CREDIT NUMBER 2202 TA

(Petroleum Sector Rehabilitation Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 21, 1991

CREDIT NUMBER 2202 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 21, 1991, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has requested from the Kingdom of Denmark through the Danish International Development Agency (DANIDA), a grant in an amount approximately equivalent to \$2.5 million to assist in financing part of the Project;

(C) the Borrower has requested from the Kingdom of the Netherlands (Netherlands), a grant in an amount approximately equivalent to \$6.5 million to assist in financing part of the Project;

(D) the Borrower intends to contract from the European Investment Bank (EIB), a loan, in an amount approximately equivalent

to \$8.9 million to assist in financing part of the Project;

(E) the Borrower has requested from the European Communities (EC), a grant in an amount approximately equivalent to \$6 million to assist in financing part of the Project;

(F) the Borrower intends to contract from the OPEC Fund for International Development a loan in an amount approximately equivalent to \$6.1 million to assist in financing part of the Project;

(G) Part of the Project will be carried out by Tanzania Investment Bank (TIB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to TIB part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and TIB;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and TIB pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Agreement;

(c) "TIB" means Tanzania Investment Bank, established pursuant to the Tanzania Investment Bank Act, No. 20 of 1970;

(d) "Project Agreement" means the agreement between the Association and TIB, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(e) "Subsidiary Financing Agreement" means any one of the agreements to be entered into between TIB and the Oil Companies and TPDC for the financing of facilities under the Project;

(f) "Sub-loan" means a loan made or proposed to be made by TIB to an Oil Company or TPDC for the financing of facilities out of the proceeds of the Credit made available to TIB under the Subsidiary Agreement;

(g) "MWEM" means the Borrower's Ministry of Water, Energy and Minerals;

(h) "TPDC" means the Tanzania Petroleum Development Corporation, a public corporation established on May 30, 1969, pursuant to the Public Corporation Act, No. 17 of 1969;

(i) "AGIP" means Agip Tanzania Limited;

(j) "BPT" means BP Tanzania Limited;

- (k) "CALTEX" means Caltex Oil Tanzania Limited;
- (l) "ESSO" means Esso Tanzania Limited;
- (m) "LPG" means Liquefied Petroleum Gas;
- (n) "PSC" means the Project Supervisory Committee;
- (o) "TIPER" means Tanzanian and Italian Petroleum Refining Company Limited;
- (p) "TOTAL" means Total Tanzania Limited;
- (q) "TRC" means Tanzania Railways Corporation established pursuant to the Tanzania Railways Corporation Act, No. 11 of 1977;
- (r) "Oil Company or Oil Companies" means AGIP, BPT, CALTEX, ESSO and/or TOTAL;
- (s) "RCC" means the Railway Coordination Committee within TPDC; and
- (t) "TAZARA" means the Tanzania Zambia Railway Authority.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty-three million seven hundred thousand Special Drawing Rights (SDR 33,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement 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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special deposit accounts (the TIB Special Account and the MWEM Special Account) in its Central Bank on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without

restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing April 15, 2001, and ending October 15, 2030. Each installment to and including the installment payable on October 15, 2010, shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United Kingdom of Great Britain and Northern Ireland 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 declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall carry out the Project through MWEM with due diligence and efficiency and in conformity with appropriate administrative, financial and petroleum industry practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause TIB to perform all its

obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable TIB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make a portion of the proceeds of the Credit available to TIB under a subsidiary agreement to be entered into between the Borrower and TIB, under terms and conditions which shall have been approved by the Association, which shall include, inter alia, that TIB receive a 1% initial commission and an annual fee of 1% of funds on-lent to the Oil Companies and TPDC, on the terms and conditions referred to in Section 2.05 to the Project Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall: (a) maintain an appropriate petroleum pricing system; (b) annually in September, review with the Association, the overall level and structure of prices for petroleum products; and (c) make appropriate adjustments to prices of petroleum products as needed in accordance with the principles referred to in Schedule 5 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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 nine months after the end of each such year, a certified copy of the 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 said records, accounts and the audit

thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account for the Project were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) TIB shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that TIB will be able to perform its obligations under the Project Agreement.
- (c) The TIB Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TIB to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of TIB or for the suspension of its operations.
- (e) The EIB Loan Agreement and EC Grant Agreement shall have failed to become effective by December 31, 1991, or such later date as the Association may agree; provided however, that the provisions of this paragraph shall not apply, if the Borrower establishes to the satisfaction of the Association, that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (f) (i) Subject to subparagraph (ii) of this paragraph:
  - (A) The right of the Borrower to withdraw the proceeds of the EIB or OPEC Fund loans or the DANIDA, Netherlands or EC grants made to the Borrower for the financing of the Project shall have been suspended,

cancelled or terminated in whole or in part, pursuant to the terms thereof; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and TIB and subsidiary financing agreements have been executed between TIB and at least two Oil Companies;

(b) the Borrower has appointed the Project Manager referred to in paragraph 2 of Schedule 4 to this Agreement; and

(c) the agreements, referred to in paragraph 8 of Schedule 4 to this Agreement, have been executed between TPDC, TRC and TAZARA.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by TIB, and is legally binding upon TIB in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and TIB and is legally binding upon the Borrower and TIB in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister at the time responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

Cable address:	Telex:
TREASURY Dar es Salaam	41329

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (RCA), 64145 (WUI), 197688 (TRT) or 82987 (FTCC)

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

UNITED REPUBLIC OF TANZANIA

By /s/ Charles Nyirabu  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox  
Regional Vice President  
Africa

#### 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 the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment and		100% of foreign



materials		expenditures
(a) for Part B of the Project	3,450,000	
(b) except for Part B of the Project	14,400,000	
(2) Spare parts and consumables	5,590,000	100% of foreign expenditures
(3) Office equipment:		
(a) For MWEM	460,000	100%
(b) For TIB	76,000	100% of foreign expenditures and 80% of local expenditures
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Studies and Project management	2,910,000	100% of foreign expenditures
(5) Training	380,000	100%
(6) Unallocated	6,434,000	
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TOTAL	33,700,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments for expenditures under Category (1) (a) until (i) the agreement between the Borrower and OPEC Fund has been executed, and (ii) detailed engineering and construction costs, acceptable to the Association, for Part B of the Project, have been provided by the Borrower; and (c) payments for expenditures under Categories (1) (b) and (2) until the Oil Company concerned has a satisfactory financing plan in place for its investments under the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) reduce the haulage cost of petroleum products; (ii) improve the performance of the oil industry; (iii) implement an appropriate petroleum pricing policy; (iv) improve national and transit petroleum trade; (v) reduce oil pollution and the threat to the environment; and (vi) improve the technical and managerial skills and capability of petroleum industry personnel.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Rehabilitation and Construction of Depots and Facilities

Rehabilitation of existing depots and construction of new storage depots for various petroleum products, and the modification of existing and construction of new railway loading and unloading facilities for dedicated block train handling as follows:

- (i) Dar es Salaam.
- (ii) Southern Axis at Mbeya and Makambako.
- (iii) Northern Axis at Tanga, Moshi and Arusha.
- (iv) Central Axis at Tabora, Kigoma, Mikumi, Dodoma, Mpanda, Isaka, Mwanza, Musoma and Bukoba.
- (v) Zanzibar, Pemba and Mtwara.

Part B: Tanga Bulk Oil Terminal

- 1. Installation of an offshore unloading facility at Tanga to facilitate bulk import of petroleum products.
- 2. Construction of a new petroleum terminal including rail and road loading facilities.

Part C: Lake Victoria

- 1. Rehabilitation of existing jetty facilities at Mwanza, Musoma and Bukoba.
- 2. Repairs to existing 400 ton petroleum barge.

Part D: Railway Tank Wagons

Acquisition of about 81 petroleum and 6 LPG railway tank wagons.

Part E: Rehabilitation of Retail Network

Acquisition of equipment and spare parts to rehabilitate and modernize existing retail outlets of the Oil Companies.

Part F: LPG Marketing Facilities

Provision of LPG filling and marketing facilities including, 6 filling plants, 8 road tank trucks, 60 bulk supply tanks, 30,000 LPG bottles, 40,000 pressure regulators and 20,000 stoves.

Part G: Technical Assistance and Training

- 1. Strengthening of Project management within MWEM through the provision of technical support and training.
- 2. Acquisition of office equipment for Project management in MWEM and TIB.
- 3. Carrying out studies in the oil and gas sector.
- 4. Training of MWEM, TPDC and TIB staff.

\* \* \*

The Project is expected to be completed by June 30, 1997.

## Procurement and Consultants' Services

### Section I. Procurement of Goods and Works

#### Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts for equipment and materials shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

#### Part B: Other Procurement Procedures

1. Items or groups of items for equipment estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$7,300,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).
2. Contracts for proprietary equipment and spare parts may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

#### Part C: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:
  - (a) With respect to each contract estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.
  - (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.
  - (c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditures
2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

### Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as

Executing Agency" published by the Bank in August 1981.

#### SCHEDULE 4

##### Implementation Program

##### Project Coordination

1. The Borrower shall by June 30, 1991, establish a Project Supervisory Committee which shall be vested with overall supervision of the Project. PSC shall be chaired by MWEM, include members from TPDC, TIB, a representative of the Oil Companies, TRC, TAZARA and TIPER, when appropriate, and shall meet as required but not less than once a month, to plan and coordinate actions, timetables and procedures to be followed in implementing the Project.
2. The Borrower shall assign staff in MWEM to handle the day to day implementation of the Project and shall appoint a Project Manager with qualifications and experience satisfactory to the Association. MWEM shall prepare and submit to the Association, quarterly and yearly reports on all aspects of Project implementation, including performance against environmental and safety standards.
3. MWEM shall review all proposals by the Oil Companies for activities to be financed under the Project and shall then submit such proposals to TIB for the making of Sub-loans to the Oil Companies out of the proceeds of the Credit.
4. The Borrower shall establish in TPDC a Railway Coordination Committee to be chaired by TPDC, with membership from the Oil Companies, TRC and MWEM. The Borrower shall cause TPDC to employ a railway transport expert to assist the RCC by December 31, 1991. The RCC shall ensure adequate railway transport capacity for the distribution of petroleum, to that end, it shall prepare regular bulk train movement schedules and allocate railway tank wagons in accordance with such schedules.
5. The Borrower shall provide or cause to be provided the services of a legal expert on international contracts, to be used by MWEM and TPDC in reviewing their international contracts with consultants and contractors in the petroleum sector.
6. The Borrower shall by September of each year, review with the Association, the implementation of the Project, which shall include, inter alia: (a) implementation of the petroleum rehabilitation program including rehabilitation of the TIPER refinery; (b) the detailed training program for the Project; and (c) progress in TRC's modernization program in relation to the implementation of the petroleum sector rehabilitation work.
7. The Borrower shall: (a) by December 31, 1991, furnish to the Association for its review and comments a plan of action for the studies to be carried out under Part G.3 of the Project including the terms of reference for the gas pipeline engineering and design study; and (b) promptly thereafter commence implementation of such studies taking the Association's comments into account.
8. The Borrower shall cause TPDC to execute agreements, satisfactory to the Association with TRC and TAZARA for the use, operation, maintenance and management of railway tank wagons and applicable tariff structures.
9. The Borrower shall ensure that by December 31, 1991, arrangements satisfactory to the Association have been implemented for inter-company hospitality, covering all licensed petroleum marketing companies operating in Tanzania, for the use of all loading/ unloading, filling and storage assets financed out of the proceeds of the Credit.

#### SCHEDULE 5

Petroleum Product Principles  
referred to in Section 3.03.

The principal features of the Borrower's petroleum product pricing policy are as follows:

- (a) prices shall cover the costs of imports and distribution;
- (b) margins shall be set at a level that will permit financial viability of efficiently managed oil marketing companies and retailers. Factors to be taken into account shall include, inter alia, at least maintaining the marketers margins in real terms;
- (c) the Borrower shall encourage efficient nationwide distribution of petroleum products; and
- (d) timely and prompt reviews shall be undertaken and recommendations made by MWEM to the Borrower of price adjustments to reflect external changes in international oil price movements and currency fluctuations. This will be supplemented by a re-examination of other costs at least once a year.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) for the TIB Special Account and Categories (3) through (5) for the MWEM Special Account set forth in the table in paragraph 1 of Schedule 1 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 Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,200,000 for the TIB Special Account and \$150,000 for the MWEM Special Account, to be withdrawn from the Credit Account and deposited in the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into that Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or

payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of that Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Accounts:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association (A) provide such additional evidence as the Association may request, or (B) deposit into the Special Accounts (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Accounts will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraph 6

(a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

