
DOCUMENTS

CREDIT NUMBER 1370 TA

Joint Financing Agreement

(Mufindi Pulp and Paper Project - Technical Assistance)

among

UNITED REPUBLIC OF TANZANIA

and

KINGDOM OF SWEDEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOUTHERN PAPER MILLS COMPANY LIMITED

and

NATIONAL DEVELOPMENT CORPORATION

Dated

September 22, 1983

JOINT FINANCING AGREEMENT

AGREEMENT, dated *September 22*, 1983, among UNITED REPUBLIC OF TANZANIA (hereinafter called the Borrower), KINGDOM OF SWEDEN (hereinafter called Sweden), INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association), SOUTHERN PAPER MILLS COMPANY LIMITED (hereinafter called SPM) and NATIONAL DEVELOPMENT CORPORATION (hereinafter called NDC).

WHEREAS (A) in 1979 the parties to this Agreement, together with the International Bank for Reconstruction and Development, have entered into the First Joint Financing Agreement for the financing of the Mufindi Pulp and Paper Project, both as hereinafter defined;

(B) the Borrower and Sweden have entered into, or propose to enter into, a development cooperation agreement (hereinafter called the Swedish Agreement), providing for Sweden to grant to the Borrower one hundred million Swedish Kronor (SKr 100,000,000) (hereinafter called the Swedish Grant), to be made available by the Borrower to SPM, through NDC, for the purpose of assisting in the financing of the Project described in Schedule 1 to this Agreement;

(C) by a development credit agreement of even date herewith with the Borrower (hereinafter called the IDA Agreement), the Association has agreed to make to the Borrower a credit in a principal amount in various currencies equivalent to sixteen million seven hundred thousand Special Drawing Rights (SDR 16,700,000) (hereinafter called the IDA Credit), to be made available by the Borrower to SPM, through NDC, for the same purpose;

(D) the Borrower and the Federal Republic of Germany through Kreditanstalt für Wiederaufbau (hereinafter called KfW) propose to enter into an agreement providing for KfW to make a financial contribution to the Borrower in an amount of DM 20,500,000, to be made available by the Borrower to SPM, through NDC, for the same purpose;

WHEREAS the Project will be carried out by SPM, with the Borrower's assistance and, as part of such assistance, the Borrower shall make available to SPM through NDC, pursuant to the provisions of a subsidiary financing agreement, the proceeds of the Swedish Grant, the IDA Credit and additional financing for the Project; and

WHEREAS the parties hereto have agreed on the allocation, withdrawal and use of the proceeds of the Swedish Grant and the IDA Credit and on the execution of the Project to be financed thereby, as well as on other matters, as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context shall otherwise require, the several terms wherever used in this Agreement shall have the following meanings:

(a) the term "Swedish Grant Account" and "IDA Credit Account" mean the respective accounts established under the Swedish Agreement and the IDA Agreement;

(b) the term "Subsidiary Financing Agreement" means the agreement to be entered into among the Borrower, NDC and SPM pursuant to Section 3.04 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement;

(c) the term "dollars" and the sign "\$" mean dollars in the currency of the United States of America;

(d) the term "special drawing rights" and the symbol "SDR" mean a special drawing right as valued by the International Monetary Fund in accordance with its Articles of Agreement;

(e) the term "Co-financiers" means the financiers specified in paragraphs (B) through (D) of the Preamble to this Agreement;

(f) the term "Bank" means International Bank for Reconstruction and Development;

(g) "First Joint Financing Agreement" means the joint financing agreement, dated April 6, 1979, among the parties hereto and the Bank;

(h) "Mufindi Pulp and Paper Project" means the project described in Schedule 1 to the First Joint Financing Agreement;

(i) "Closing Date" means the date specified in the IDA Agreement as of which the Association may by notice to the Borrower terminate the right of the Borrower to withdraw from the IDA Credit Account any amount theretofore unwithdrawn; and

(j) the term "foreign exchange" means any currency other than the currency of the Borrower.

ARTICLE II

Allocation and Withdrawals of Proceeds of Swedish Grant and IDA Credit

Section 2.01. Subject to the rights of suspension and cancellation set forth in the Swedish Agreement, the IDA Agreement and paragraph 6 of Schedule 2 to this Agreement, and subject to the provisions of Section 2.02 of the IDA Agreement, the amount of the Swedish Grant and the IDA Credit may be withdrawn from the Swedish Grant Account and the IDA Credit Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the Swedish Grant and the IDA Credit and the disbursement percentages set forth in paragraph 1 of Schedule 2 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between Sweden and the Association.

Section 2.02. (a) NDC shall be entitled to withdraw on behalf of the Borrower from the Swedish Grant Account and, subject to Section 2.06 hereof, from the IDA Credit Account such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed, respectively, from the Swedish Grant and the IDA Credit.

(b) Except with respect to Categories (2) and (3) of paragraph 1 of Schedule 2 to this Agreement, all withdrawal applications shall be apportioned by the Association between the Swedish Grant and the IDA Credit, as nearly as practicable in the circumstances and taking into account the limitations provided for in Article 1, Section 4 of the Swedish Agreement, in the ratio of 1:2.7 or such other ratio as shall be agreed among the Borrower, Sweden and the Association.

Section 2.03. (a) When NDC shall desire to withdraw any amount of the Swedish Grant or the IDA Credit, NDC shall deliver

to the Association a written application in such form and containing such statements and agreements as the Association shall reasonably request.

(b) NDC shall furnish to the Association such documents and other evidence in support of each withdrawal application as the Association shall reasonably request, whether before or after the Association shall have approved any withdrawal requested in the application.

(c) Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association that NDC is entitled to withdraw from the Swedish Grant Account or IDA Credit Account, or both, either separately or simultaneously, the amount applied for and that such amount is to be used only for the purposes specified in this Agreement.

Section 2.04. Each such application by NDC for withdrawal, except those under Categories (2) and (3) of paragraph 1 of Schedule 2 to this Agreement, shall be deemed to be a request to withdraw funds on behalf of the Borrower from the Swedish Grant Account and from the IDA Credit Account in the ratio provided for in Section 2.02 (b) hereof.

Section 2.05. (a) When the Association shall have approved an application by NDC for withdrawal, the Association shall:

- (i) pay the amount, if any, which NDC is entitled to withdraw from the IDA Credit Account to or on the order of NDC in accordance with the provisions of the IDA Agreement; and
- (ii) promptly notify the Sveriges Riksbank, acting as agent for Sweden, in the manner and to the extent set forth in this Agreement, that it has received an application for withdrawal from either the Swedish Grant Account or IDA Credit Account separately or from the Swedish Grant Account and IDA Credit Account simultaneously in the aggregate amount specified in such notice, that it has approved payment of the portion, if any, to be withdrawn from the IDA Credit Account in the amount set forth in such notice, and that the

portion, if any, to be withdrawn from the Swedish Grant Account in the amount set forth in such notice is eligible for payment by the Sveriges Riksbank.

(b) Upon receipt of any such notice of the Association providing for a withdrawal from the Swedish Grant Account, the Sveriges Riksbank shall, subject to the rights of suspension and cancellation of the Swedish Grant set forth in the Swedish Grant Agreement, pay the amount to be so withdrawn from the Swedish Grant Account in the currency and to the payee stated in the notice.

Section 2.06. If at any time the amount of the Swedish Grant or of the IDA Credit allocated to Category (1) of paragraph 1 of Schedule 2 to this Agreement shall have been fully withdrawn or cancelled, applications by NDC for further withdrawals shall be deemed to be requests for withdrawal of the full amount applied for from the other Account only and the provisions of this Article II shall continue to apply mutatis mutandis until the full amount credited to such other Account shall have been withdrawn or cancelled.

Section 2.07. Upon NDC's request and upon such terms as shall be agreed between the Association and NDC, the Association may enter into special commitments to pay amounts to NDC or others in respect of the cost of goods and services required for the Project. Any such special commitment by the Association shall, once it shall have been notified to Sweden and the Sveriges Riksbank, constitute an obligation on the part of Sweden to pay, notwithstanding any subsequent suspension or cancellation of the Swedish Grant and in conformity with the foregoing Sections 2.05 and 2.06, such portion of the total amount to be disbursed in fulfillment of such special commitment as agreed pursuant to Section 2.02 of this Agreement.

Section 2.08. If for purposes of this Agreement any proceeds of the Swedish Grant are to be withdrawn in a currency other than Swedish Kronor, the Sveriges Riksbank shall remit the requested foreign currency amount and shall debit the Swedish Grant Account with the Swedish Kronor equivalent to such amount calculated on the basis of the current market selling rate or, if no such rate applies, such rate as shall be reasonably determined by the Sveriges Riksbank in consultation with the Bank of Tanzania.

ARTICLE III

Execution of the Project; Use of Proceeds of Swedish Grant and IDA Credit

Section 3.01. SPM shall carry out the Project with due diligence and efficiency and in conformity with appropriate industrial, administrative, forestry, financial and engineering practices.

Section 3.02. (a) SPM shall apply the proceeds of the Swedish Grant and the IDA Credit to expenditures on the Project to be financed with the proceeds of the Swedish Grant and the IDA Credit in accordance with the provisions of this Agreement.

(b) Except as Sweden, the Association and SPM shall otherwise agree: (i) contracts for the goods and civil works required for the Project and to be financed jointly out of the proceeds of the Swedish Grant and the IDA Credit or out of the proceeds of the IDA Credit shall be awarded only after requesting at least three price quotations from qualified contractors or suppliers; and (ii) such contracts shall be subject to the prior approval of the Association.

(c) In order to assist SPM in the carrying out of the Project, SPM shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, such consultants to 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.

(d) SPM undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Swedish Grant or IDA Credit against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by SPM to replace or repair such goods.

(e) Except as the Association shall otherwise agree, SPM shall cause all goods and services financed out of the proceeds of the Swedish Grant or the IDA Credit to be used exclusively for the purposes of the Project.

Section 3.03. (a) SPM shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) SPM: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Swedish Grant or the IDA Credit and to disclose their use in the Project; (ii) shall enable the representatives of Sweden, and the Association to visit the facilities and construction sites included in the Project and to examine the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to Sweden and the Association all reports of the consultants employed for purposes of the Project and all such other information as Sweden or the Association shall reasonably request concerning the Project, the expenditures of the proceeds of the Swedish Grant, and the IDA Credit and the goods and services financed out of such proceeds, including without limitation, within 45 days after each calendar quarter, financial statements, project progress reports and procurement status reports.

(c) Upon the award by SPM of any contract for goods, works or services to be financed out of the proceeds of the Credit, the Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than three months after the Closing Date for the IDA Credit or such later date as may have been agreed for this purpose among the Borrower, Sweden and the Association, SPM shall prepare and furnish to Sweden and the Association a report, of such scope and in such 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 NDC and SPM of their respective obligations under this Agreement and related agreements and the accomplishment of the purposes of the Swedish Grant and the IDA Credit.

Section 3.04. (a) Except as the parties to this Agreement may otherwise agree, the aggregate funds required for the financing of the Project shall be made available by the Borrower to SPM

through NDC under a subsidiary financing agreement in form and substance acceptable to Sweden and the Association and providing, inter alia, that such funds will be made available in the form of an equity participation of NDC in SPM, and for the amendment of the subsidiary financing agreement under the Mufindi Pulp and Paper Project to extend by two years the grace period of the financing provided therein and to provide that any funds passed on or to be passed on to SPM in the form of debt under that agreement shall instead be converted into or passed on as equity participation of NDC in SPM.

(b) NDC and SPM shall duly perform all their respective obligations under the Subsidiary Financing Agreement. Except as Sweden and the Association shall otherwise agree, NDC and SPM shall not take or concur in taking any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Financing Agreement or any provision thereof.

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

Section 3.05. SPM shall: (a) by March 31, 1984, furnish to Sweden and the Association a detailed program for marketing and distribution of the products of SPM in the export and domestic markets;

(b) afford Sweden and the Association a reasonable opportunity to comment thereon; and

(c) taking into account Sweden's and the Association's comments, carry out such marketing and distribution in accordance with such program.

Section 3.06. SPM shall: (a) by December 31, 1983, furnish to Sweden and the Association detailed training programs with respect to the operation of the mill included in the Mufindi Pulp and Paper Project, its forestry operations, and the training of satisfactory numbers of competent accounting personnel;

(b) afford Sweden and the Association a reasonable opportunity to comment thereon; and

(c) taking into account Sweden's and the Association's comment, carry out such programs.

Section 3.07. Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause SPM and NDC to perform in accordance with the provisions of this Agreement and the Subsidiary Financing Agreement all their respective obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SPM and NDC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.08. As shareholder of SPM, NDC: (i) agrees with all the obligations of SPM set forth in this Agreement; (ii) shall cause SPM to perform such obligations in accordance with the provisions of this Agreement; and (iii) shall take or cause to be taken all actions necessary or appropriate to enable SPM to perform such obligations.

ARTICLE IV

Management and Operations of SPM

Section 4.01. SPM shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.02. SPM shall at all times manage its affairs and operate and maintain its mills, machinery, equipment and other property, and from time to time promptly make all necessary repairs and renewals thereof, all in accordance with appropriate industrial, administrative, forestry, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff, including without limitation, accounting personnel, in adequate numbers; to this effect SPM shall, not later than June 30, 1984, introduce a system of compensation and incentives appropriate to retain such management and staff.

Section 4.03. (a) SPM shall, as promptly as required, take all action within its powers to maintain its corporate existence and right to carry on its operations and to retain, acquire and maintain such land and properties, and interest therein, and such other powers and rights as may be necessary or useful in carrying out its business.

(b) SPM shall not amend its memorandum and articles of association in any way that will affect materially and adversely its ability to perform its obligations under this Agreement or the Subsidiary Financing Agreement.

Section 4.04. Unless the Association shall otherwise agree, SPM shall: (i) not later than December 31, 1983, open, and thereafter maintain, an account in a commercial bank on terms and conditions satisfactory to the Association; and (ii) from time to time deposit into such account a portion of its foreign exchange revenues, sufficient to pay for SPM's estimated foreign exchange operational requirements.

ARTICLE V

Financial Covenants

Section 5.01. (a) NDC shall maintain separate accounts and records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations, resources and expenditures in respect of the Project.

(b) NDC shall: (i) have said accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to Sweden and the Association, as soon as available, but in any case not later than four months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to Sweden and the Association such other information concerning said accounts and the audit thereof as Sweden or the Association shall from time to time reasonably request.

Section 5.02. (a) SPM shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices, its operations and financial condition.

(b) SPM shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to Sweden and the Association, as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as

so audited, and (B) 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 Sweden and the Association such other information concerning the accounts and financial statements of SPM and the audit thereof as Sweden or the Association shall from time to time reasonably request.

Section 5.03. (a) Except as the Association and SPM shall otherwise agree, SPM shall not incur any debt, if such debt would raise SPM's debt-equity ratio above 50:50.

(b) For purposes of this Section:

- (i) the term "debt" means all debt of SPM, including debt for the services of which SPM is responsible, maturing by its terms more than one year after the date on which it is originally incurred;
- (ii) debt shall be deemed to be incurred on the date of the agreement providing for such debt;
- (iii) the term "equity" means the total capital and surplus of SPM, determined in accordance with sound accounting practices;
- (iv) the term "incur" with reference to any debt includes the assumption and guarantee of any debt and any renewal, extension or modification of the terms of debt or of the assumption or guarantee thereof; and
- (v) whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by SPM for the purposes of servicing such debt, or, if no such rate is available, at a rate of exchange acceptable to the Association.

Section 5.04. (a) Except as the Association and SPM shall otherwise agree, SPM shall maintain a ratio of current assets to current liabilities of not less than 1.2:1.

(b) For the purposes of this Section:

- (i) the term "current assets" means cash, securities readily convertible into cash, accounts receivable and realizable within one year and inventories; and
- (ii) the term "current liabilities" includes accounts payable within twelve months, customer advances, income taxes, bonuses and all other liabilities (including debt) which will be due and payable, or could be called for payment, within twelve months.

Section 5.05. (a) Except as the Association and SPM shall otherwise agree, SPM shall not incur any debt in excess of \$3,000,000 equivalent in any fiscal year unless a reasonable forecast of SPM's revenues and expenditures shows that SPM's projected net revenues for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times SPM's projected debt service requirements in such year on all debt of SPM, including the debt to be incurred.

(b) For the purposes of this Section:

- (i) the provisions of Section 5.03 (b) (i), (ii), (iv) and (v) of this Agreement shall apply;
- (ii) the term "debt service requirement" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt;
- (iii) the term "reasonable forecast" means a forecast prepared by SPM in the fiscal year in which the debt in question is to be incurred, which both the Association and SPM accept as reasonable and as to which the Bank has notified SPM of its acceptability, provided no event has occurred since such notification which has or must reasonably be expected in the future to have a material adverse effect on the financial condition or future operating results of SPM; and
- (iv) the term "net revenues" means gross revenues less operating and administrative expenses including

provision for taxes, if any, but before provision for depreciation and interest and other charges on debt.

Section 5.06. Except as the Association and SPM shall otherwise agree, SPM shall not declare or pay any dividend on its equity capital or make any other cash distribution with respect to its equity capital: (a) until thirty-six months after completion of the Mufindi Pulp and Paper Project; and (b) after the period set out in (a), unless, after such dividend has been declared or paid or such other cash distribution has been made, the ratio of current assets to current liabilities of SPM, as calculated under Section 5.04 of this Agreement, would be not less than 1.5:1.

Section 5.07. The Borrower shall ensure that the prices for the products from the Project paper mill shall be set at levels which permit SPM, operating efficiently, to obtain revenues sufficient to cover all of its costs, to service all of its debts and to earn a reasonable return on its invested capital which shall include share capital, retained earnings and long-term debt, including the current portion thereof.

ARTICLE VI

Amendment of First Joint Financing Agreement

Section 6.01. The First Joint Financing Agreement is amended by deleting Sections 5.03, 5.04 and 5.06 and substituting therefor Sections 5.03, 5.04 and 5.06 of this Agreement, respectively.

ARTICLE VII

Consultation; Information and Inspection

Section 7.01. The Borrower, Sweden, the Association, NDC and SPM shall cooperate fully to assure that the purposes of the Swedish Grant and the IDA Credit will be accomplished. To that end, the Borrower, Sweden, the Association, NDC and SPM shall from time to time, at the request of any such party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement and the Subsidiary Financing Agreement as well as the administration,

operations and financial condition of NDC and SPM and other matters relating to the purposes of the Swedish Grant and the IDA Credit.

Section 7.02. The Borrower, Sweden, the Association, NDC and SPM shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Swedish Grant and the IDA Credit, or the performance by any party of its obligations under this Agreement and the Subsidiary Financing Agreement, and shall exchange views thereon with all the parties to this Agreement in an attempt to resolve the issue in a manner satisfactory to all parties involved.

Section 7.03. (a) The Borrower and SPM shall enable representatives of Sweden and the Association to inspect all plants, sites, works, properties and equipment of SPM and any relevant records and documents.

(b) NDC shall enable representatives of Sweden and the Association to inspect the records referred to in Section 5.01 (a) of this Agreement.

ARTICLE VIII

Miscellaneous

Section 8.01. Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

For the Borrower:

The Principal Secretary
The Ministry of Finance
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:

TREASURY
Dar es Salaam

Telex:

41329

For Sweden:

- (a) insofar as Sveriges Riksbank acts as agent for Sweden for purposes of this Agreement:

Sveriges Riksbank
Box 2119
Stockholm 2
Sweden

Cable address:

Riksbanken
Stockholm

Telex:

19150

- (b) for all other purposes:

Swedish International Development
Authority
10525 Stockholm 1
Sweden

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For SPM:

Southern Paper Mills Company Limited
c/o National Development Corporation
P.O. Box 2669
Dar es Salaam
United Republic of Tanzania

Cable address:

NATDEV
Dar es Salaam

Telex:

41068

For NDC:

National Development Corporation
P.O. Box 2669
Dar es Salaam
United Republic of Tanzania

Cable address:

NATDEV
Dar es Salaam

Telex:

41068

Section 8.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the Borrower may be taken or executed by its Minister at the time responsible for Finance, and on behalf of SPM or NDC may be taken or executed by the chief executive officer of SPM or NDC, as the case may be, or such other person or persons as such Minister or chief executive officer shall designate in writing, and the Borrower, SPM and NDC shall furnish to Sweden and the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 8.03. The Borrower, NDC and SPM shall furnish to the Association sufficient evidence of the authority of the person or persons who will: (a) sign the applications provided for under Article II of this Agreement; and (b) take any other action or execute any other document on behalf of the Borrower, NDC or SPM, which are required or permitted to be taken or executed by the Borrower, NDC or SPM under this Agreement, respectively; and shall furnish to the Association the authenticated specimen signature of each such person.

Section 8.04. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

Section 8.05. (a) Except as shall be otherwise agreed by the parties hereto, this Agreement shall become effective on the earliest date upon which both the Swedish Agreement and the IDA Agreement shall be in effect.

(b) If the IDA Agreement terminates for failure to become effective in accordance with its terms, this Agreement shall forthwith terminate and the Association shall promptly notify the other parties of such termination.

Section 8.06. This Agreement and all obligations of the parties thereto thereunder shall terminate on the date upon which the Swedish Agreement and the IDA Agreement shall have terminated in accordance with their respective terms or on the date upon which the First Financing Joint Agreement shall have terminated in accordance with its terms or on a date ten years after the date of this Agreement, whichever date shall be the earlier.

Section 8.07. Upon termination of the Swedish Agreement or the IDA Agreement only, Sweden or the Association, as the case may be, shall promptly notify the other parties hereto and, upon such notification, this agreement shall continue to remain in force and effect only for the purpose of implementation of the other Agreement and of orderly settlement of matters of mutual interest to the parties hereunder, subject to such modifications of this Agreement as shall be agreed among the parties thereto or as shall be reasonably requested by Sweden or the Association for such purposes.

Section 8.08. Unless the Borrower, the Association, NDC and SPM shall be otherwise notified by Sweden, the Association shall, subject to the provisions of Section 7.02, represent Sweden in all matters relating to the implementation of, including amendments to, this Agreement.

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

UNITED REPUBLIC OF TANZANIA

By /s/ Benjamin W. Mwakapa
Authorized Representative

KINGDOM OF SWEDEN

By /s/ W. Wadtmester
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Willi A. Wapenhans
Regional Vice President
Eastern Africa

SOUTHERN PAPER MILLS COMPANY LIMITED

By /s/ Benjamin W. Mwakapa
Authorized Representative

NATIONAL DEVELOPMENT CORPORATION

By /s/ Benjamin W. Mwakapa
Authorized Representative

Confirmed for purposes of Section 3.04
and Article VI of this Agreement

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Willi A. Wapenhans
Regional Vice President
Eastern Africa

SCHEDULE 1

Description of the Project

The Project consists of the following Parts:

Part A:

Strengthening of SPM's management and technical capabilities to assist SPM in achieving full capacity production and in improving its operational efficiency, including training of SPM's staff and acquisition of training materials, medical supplies and vehicles.

Part B:

1. Conversion of SPM's power boiler to burn fuelwood in addition to coal and fuel oil.
2. Acquisition of equipment to harvest, prepare and deliver fuelwood to SPM's mill.

Part C:

Acquisition of fuel, pulp, chemicals, spare parts and other supplies necessary for the operation of SPM's facilities.

* * *

The Project is expected to be completed by June 30, 1989.

SCHEDULE 2

**Allocation of Proceeds of Swedish
Grant and IDA Credit**

1. The table below sets forth the Categories of goods and services to be financed out of the proceeds of the Swedish Grant and the IDA Credit and the allocation of the amounts of such proceeds to each Category:

<u>Category</u>	<u>Amount of the IDA Credit (expressed in SDR Equivalent)</u>	<u>Amount of the Swedish Grant (expressed in Swedish Kronor)</u>
(1) (a) Manage- ment Con- sultants' services, training and goods for Part A of the Project	12,400,000	36,000,000
(b) Other Con- sultants' services	650,000	2,200,000
(2) (a) Goods and services for Part B.1 of the Project	2,350,000	0
(b) Goods and services for Part B.2 of the Project	0	32,400,000
(3) Goods for Part C of the Project	0	21,600,000
(4) Unallocated	1,300,000	7,800,000
TOTAL	<u>16,700,000</u>	<u>100,000,000</u>

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

(a) expenditures prior to the date of this Agreement;

(b) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) payments for taxes levied by, or in the territory of, the Borrower on goods or services, or the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Swedish Grant and IDA Credit, if the Association shall have reasonably estimated that the amount of the Swedish Grant and the IDA Credit then allocated to Category (1) will be insufficient to finance all expenditures in that Category, the Association may, by notice to NDC, reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Swedish Grant or the IDA Credit which are then allocated to Category (4).

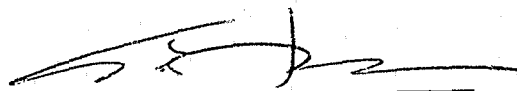
4. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Swedish Grant or the IDA Credit and the Association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

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 22nd day of September, 1983.



FOR SECRETARY