

CONFORMED COPY

CREDIT NUMBER 2050 TA

(Cashew and Coconut Treecrops Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 28, 1989

CREDIT NUMBER 2050 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 28, 1989, 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 and the Overseas Development Administration of the United Kingdom intend to enter into a memorandum of understanding (the ODA Memorandum of Understanding) for the purpose of making available goods and services to the Borrower with a value of about six million three hundred thousand dollars (\$6,300,000) (the ODA Grant) to assist in financing part of the Project on terms and conditions set forth in the ODA Memorandum of Understanding;

(C) the Borrower has requested from the Federal Republic of Germany a grant in an amount approximately equivalent to five million seven hundred thousand dollars (\$5,700,000) (the FRG Grant) to assist in financing part of the Project on terms and conditions set forth in an agreement (the FRG Grant Agreement) to be entered into between the Borrower and FRG; 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;

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) "MALD" means the Borrower's Ministry of Agriculture and Livestock Development;

(b) "MOF" means the Borrower's Ministry of Finance;

(c) "MLGCCM" means the Borrower's Ministry of Local Government, Community Development, Cooperatives and Marketing;

(d) "CIP" means the Borrower's Cashewnut Improvement Program;

(e) "NCDP" means the Borrower's National Coconut Development Program;

(f) "CRDB" means the Cooperative and Rural Development Bank established and operating pursuant to the Cooperative and Rural Development Bank, Act 1971, as amended from time to time;

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

(h) "TCMB" means the Tanzania Cashewnut Marketing Board;

(i) "GTZ" means Gesellschaft fur Technische Zusammen Arbeit of FRG;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 10 and 11, 1989 and May 31, 1989 between the Borrower and the Association;

(k) "TCC" means the Technical Coordinating Committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(l) "RALDO" means a Regional Agricultural and Livestock Development Officer within MALD;

(m) "EAT" means the East Africa Tall indigenous coconut variety; and

(n) "TSh" means Tanzanian Shilling, the Borrower's currency.

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 nineteen million four hundred thousand Special Drawing Rights (SDR 19,400,000).

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 described in Schedule 2 to this Agreement 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, three special accounts in a commercial bank (the CIP Special Account, the NCDP Special Account and the CRDB Special Account) on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedules 5, 6 and 7, respectively, to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1996, 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 and 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 date in that year specified in Section 2.06 of this Agreement.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 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 June 15 and December 15 commencing December 15, 1999, and ending June 15, 2029. Each installment to and including the installment payable on June 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (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 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, shall carry out the Project, except for Parts A.5 and A.6, through MALD with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon any of its other obligations, the Borrower shall cause CRDB to carry out Parts A.5 and A.6 of the Project, with due diligence and efficiency and in accordance with appropriate administrative and financial practices, and shall provide promptly as needed, the funds, facilities, services and other resources required for these Parts of the Project.

(c) The Borrower shall relend the proceeds of the Credit allocated to Parts A.5 and A.6 of the Project, except for an amount equivalent to \$700,000 for institution building under Part A.6 which shall be made available as a grant to CRDB, under a subsidiary loan agreement to be entered into between the Borrower and CRDB under terms and conditions satisfactory to the Association which shall, inter alia, provide for a term of 10 years at an interest rate of at least 8.4% per annum including four years of grace.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of 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 Loan Agreement or any provision thereof.

(e) 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 or cause CRDB to carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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 establish separate Project Accounts for CIP and NCDP, into which it shall deposit at the beginning of each quarter, its share of Project costs.

Section 3.04. The Borrower shall cause CRDB to appoint a Pilot Credit Scheme Coordinator, under terms of reference and with qualifications satisfactory to the Association, to undertake the day-to-day implementation of the Scheme.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain and cause CRDB to maintain 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 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 for the fiscal year in which the last withdrawal from the Credit Account 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.

Section 4.02. The Borrower shall by November 30, 1989:
(a) announce an increase in the producer price for cashewnuts; and
(b) furnish to the Association a plan of action, satisfactory to the Association, for the improvement of the marketing system for cashewnuts.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause CRDB:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, and banking practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers;

(c) at all times to operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and banking practices; and

(d) to carry out the obligations set forth in Sections 9.05, 9.06 and 9.07 of the General Conditions (relating to use of goods and services, plans and schedules, and records and reports respectively) with respect to Parts A.5 and A.6 of the Project.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Subject to subparagraph (b) of this paragraph, the right of the Borrower to withdraw the proceeds of the ODA Grant or the FRG Grant 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 of the agreement providing therefor.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or premature ending is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) 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.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has appointed the CIP and NCDP Coordinators;

(b) the Borrower has established separate CIP and NCDP Project Accounts referred to in Section 3.03 of this Agreement and deposited the initial amounts therein;

(c) the Borrower has established TCC in accordance with paragraph 3 of Schedule 4 to this Agreement; and

(d) the Association has been notified that all conditions precedent to the initial disbursement of the ODA Grant and the FRG Grant, other than the effectiveness of this Agreement, have been fulfilled.

Section 7.02. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. 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:

TREASURY
Dar es Salaam

Telex:

41329

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 2033
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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/ A. M. Hyera
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

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) Civil works:		80%
(a) for Part A of the Project	1,690,000	
(b) for Part B of the Project	460,000	
(2) Vehicles and equipment:		100%
(a) for Part A of the Project	3,920,000	
(b) for Part B of the Project	1,310,000	

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Consultants' services		100%
(a) for Part A of the Project	2,460,000	
(b) for Part B of the Project	1,690,000	
(4) Training:		100%
(a) for Part A of the Project	460,000	
(b) for Part B of the Project	310,000	
(5) Agricultural inputs:		100%
(a) for Part A of the Project	150,000	

(b) for Part B of the Project	230,000	
(6) Agricultural Credit for Chemicals and equipment	850,000	100%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(7) Incremental recurrent operating costs:		
(a) for Part A of the Project	690,000	75% up to June 30, 1992; 55% up to June 30, 1994; and 20% there- after
(b) for Part B of the Project	1,380,000	75% up to June 30, 1992; 55% up to June 30, 1994; and 20% there- after
(8) Pilot Credit Scheme: goods and services financed under Sub-loans	1,460,000	85%
(9) Refunding of Project Prepara- tion Advance	460,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(10) Unallocated	1,880,000	
TOTAL	19,400,000	

2. 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 (6) until the Borrower and CRDB have entered into the Subsidiary Loan Agreement referred to in Section 3.01 (c); and

(c) payments for expenditures under Category (8) until: (i) the Borrower and CRDB have entered into the Subsidiary Loan Agreement referred to in Section 3.01; and (ii) CRDB has appointed the coordinator for the Pilot Credit Scheme referred to in Section 3.04 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase cashewnut exports and reduce vegetable oil imports by increasing cashew and

coconut production.

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: Cashew Improvement Program

1. Research

Carrying out of cashew research at the Naliendele Agricultural Research Institute, under three basic programs for crop protection, varietal improvement and agronomy.

2. Planting Material Development

Establishment of seven multipurpose Cashewnut Development Centers to produce clones, scions and improved polyclonal seeds through the construction of offices and acquisition of vehicles, farm equipment, materials and supplies and training.

3. Production Development

(a) Development of cashew specific extension services, through subject matter specialist training of MALD's existing extension staff and on-farm demonstrations of cashew production packages.

(b) Construction of rural housing and acquisition of vehicles, office equipment and materials and training for above activities.

4. Management and Coordination

(a) Strengthening of the CIP Management and Coordination Unit through the provision of training and technical assistance in areas of monitoring and evaluation, and financial management.

(b) Construction of offices and staff houses and acquisition of vehicles and office equipment for above activities.

5. Input Supply

Making credit available through CRDB to licensed importers/traders for the importation of inputs, and equipment for pest and disease control of cashew trees.

6. Pilot Credit Scheme

Establishment of a pilot credit scheme for smallholders to strengthen CRDB's credit facilities in the southern cashew production areas of Mtwara, Lindi and Ruvuma and to test revised lending policies and procedures.

Part B: National Coconut Development Program

1. Research

Continuation of the Borrower's National Coconut Research Program, with up-dated work approaches through the provision of specialists, training and overseas study tours for counterparts.

2. Seed Nut Production

(a) Preparation of new improved planting materials, through the development and operation of a combined EAT disease testing and multiplication coconut center and the operation of two existing coconut hybrid seed farms in Mafia and Zanzibar.

(b) Construction of field offices and storage facilities, and the acquisition of machinery, equipment, planting materials and production inputs for the above activities.

3. Production Development

Development of a coconut specific extension service through subject matter specialist training of MALD's existing extension staff and on-farm demonstrations of coconut production packages.

4. Program Management and Coordination

Strengthening of the National Coconut Development Program's Management and Coordination Unit within MALD.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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 goods shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Tanzania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$750,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Chemicals and equipment under the Category (6) of the table in Schedule 1 to this Agreement, may be procured in accordance with the standard commercial practices of the importer of such goods.

Part D: 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 \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special

Accounts, 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 Accounts 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 contracts are to be made out of the Special Accounts, 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 Schedules 5, 6 and 7 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Coordination

1. The Borrower shall appoint Coordinators for CIP and NCDP, with qualifications satisfactory to the Association. The Coordinators shall be responsible for implementation of the Project and shall report to the Principal Secretary MALD, through the Commissioner for Agriculture and Livestock Development. The Borrower shall appoint a Deputy Cashew Coordinator for Mtwara, with qualifications satisfactory to the Association, within three months after the Effective Date.

2. MALD's existing management team, chaired by the Principal Secretary and comprising all heads of Department shall be the advisory body for the Project and shall set policies, review CIP and NCDP progress and their annual work plans and budgets. They shall meet as often as is required but at least twice a year.

3. The Borrower shall establish a joint Technical Coordinating Committee which shall be chaired by the Commissioner for Agriculture and Livestock Development. The Committee members shall be the CIP and NCDP coordinators, the NCDP coordinator for Zanzibar, MALD's cashew and coconut research coordinators, the ODA cashew research team leader, the Director of Naliendeke, GTZ's coconut research leader, RALDOs in Project Area, CRDB, TCMB and representatives of MLGCCM. The TCC shall annually review the cashew and coconut development programs, the cashew and coconut research programs and the support services required by CIP and NCDP prior to their presentation to MALD's Management Team. It shall meet at least once every six months.

4. The Borrower shall continue to maintain the Cashew Research Coordinating Committee with membership from Naliendele's cashew research team, CIP's senior staff for field operations, which shall be chaired by the cashew research coordinator of MALD.

Annual Work Plans

5. Annual work plans shall be prepared for both crops independently by the Coordinators, and reviewed annually by MALD's Management Team and the Association. The Annual Work Plans shall include inter alia: (a) a review of Project Implementation in the previous year; (b) a detailed description of work to be carried out in the following year, with objectives, staff and farmers' training, monitoring and evaluation activities etc; (c) requirements for additional staff and inputs; (d) requirements and arrangements for technical assistance, and local and foreign training; and (e) a budget and financing plan.

6. The Borrower shall commencing 1990, furnish the Annual Work Plans to the Association by March 1 in each year, and shall thereafter implement such plans, taking the Association comments into account. The Annual Work Plans for the first Project Year shall be furnished to the Association by November 30, 1989.

Mid-term Review

7. A joint mid-term Project review shall be undertaken not later than three and a half years after the Effective Date by the Borrower, the Association, ODA and GTZ. Such review shall be based on a mid-term review report prepared by the Borrower, in accordance with terms of reference satisfactory to the Association.

Research

8. The CIP Research will be carried out at Naliendele's Zonal Agricultural and Livestock Research and Training Center under four basic programs, namely, crop protection, varietal improvement, agronomy and socio-economic.

9. Seven multipurpose Cashewnut Development Centers shall be established in order to make new tolerant planting materials from Naliendele rapidly available. The CDC's shall produce clones and scions initially and later polyclonal seeds. The centers shall also function as demonstration training grounds and verification test sites for Naliendele's Cashew Research Program.

10. Demonstration of integrated more diversified cashew production packages shall be initiated in about two hundred village clusters.

11. The Coconut Research Program will be continued with up-dated work approaches. The coconut station at Chambezi shall be rehabilitated. The emphasis of the research program will be shifted to on-farm varietal testing and demonstrations with the assistance of extension agents and coconut growers.

Input Supply and Marketing Support

12. The Borrower shall cause CRDB to open a credit line for licensed importers/traders to procure and distribute sulphur dust, blowers and protective clothing in the cashew production area. A marketing and credit specialist shall be provided for three years to assist in this and also in the Pilot Credit Scheme for the southern cashew production areas. The Sub-loans made by CRDB shall be for a term of one year at the interest rate established by the Bank of Tanzania for such loans.

Pilot Credit Scheme

13. The Pilot Credit Scheme shall provide resources to test in

selected CRDB branch offices alternatives to improve the effectiveness and efficiency of CRDB's credit delivery and management systems. CRDB shall: (a) increase coverage of CRDB credit system to smallholders; (b) improve its policies, procedures and analytical capabilities; (c) establish closer linkages with primary cooperatives and the extension system; (d) increase participation and operational responsibilities in the process of subloan approval, supervision and portfolio recovery; and (e) separate credit for supply and distribution of inputs from production credit to farmers.

SCHEDULE 5

CIP Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), (3) (a), (4) (a), (5) (a), and (7) (a) 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 Part A of 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 \$750,000 to be withdrawn from the Credit Account and deposited into the CIP Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the CIP Special Account 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 CIP Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the CIP Special Account 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 CIP Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the CIP Special Account, the Borrower shall furnish to the Association requests for deposits into the CIP 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 CIP 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 made out of the CIP 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 CIP Special Account, 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 CIP Special Account:

(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 CIP 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 CIP Special Account: (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 CIP Special Account (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 CIP Special Account 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 CIP Special Account 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 CIP Special Account.

(d) Refunds to the Association made pursuant to paragraphs 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.

SCHEDULE 6

NCDP Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (b), (2) (b), (3) (b), (4) (b), (5) (b) and (7) (b) 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 Part B of 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 \$400,000 to be withdrawn from the Credit Account and deposited into the NCDP Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the NCDP Special Account 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 NCDP Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the NCDP Special Account 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 NCDP Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the NCDP Special Account, the Borrower shall furnish to the Association requests for deposits into the NCDP 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 NCDP 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 made out of the NCDP 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 NCDP Special Account, 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 NCDP Special Account:

(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 NCDP 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 NCDP Special Account: (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 NCDP Special Account (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 NCDP Special Account 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 NCDP Special Account 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 NCDP Special Account.

(d) Refunds to the Association made pursuant to paragraphs 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.

SCHEDULE 7

CRDB Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (6) and (8) 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 Part A of 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 \$750,000 to be withdrawn from the Credit Account and deposited into the CRDB Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the CRDB Special Account 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 CRDB Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the CRDB Special Account 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 CRDB Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the CRDB Special Account, the Borrower shall furnish to the Association requests for deposits into the CRDB 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 CRDB 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 made out of the CRDB 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 CRDB Special Account, 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 CRDB Special Account:

(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 CRDB 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 CRDB Special Account: (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 CRDB Special Account (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 CRDB Special Account 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 CRDB Special Account 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 CRDB Special Account.

(d) Refunds to the Association made pursuant to paragraphs 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.

