

CONFORMED COPY

LOAN NUMBER 4173 SA

Project Agreement

(Industrial Competitiveness and Job Creation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED

Dated March 2, 1998

LOAN NUMBER 4173 SA

PROJECT AGREEMENT

Agreement, dated March 2, 1998, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED (CGIC).

WHEREAS (A) by the Loan Agreement of even date herewith between the Republic of South Africa (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to forty-six million dollars (\$46,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CGIC agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and CGIC, part of the proceeds of the loan provided for under the Loan Agreement will be made available to CGIC on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS CGIC, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project

Section 2.01. (a) CGIC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices.

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

Section 2.02. Without limitation upon the provisions of paragraph (a) of this Section, CGIC, shall:

(a) prepare, on the basis of guidelines acceptable to the Borrower and the Bank and furnish to the Borrower and the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower, Bank and CGIC, a plan for the continued achievement of the objectives of Part C of the Project; and

(b) afford the Borrower and the Bank a reasonable opportunity to exchange views with CGIC on said plan.

Section 2.03. CGIC shall duly perform all its obligations under the Subsidiary Agreement. Except as the Borrower and Bank shall otherwise agree, CGIC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.04. (a) CGIC shall, at the request of the Borrower and Bank, exchange views with the Borrower and the Bank with regard to the progress of Part C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Loan.

(b) CGIC shall promptly inform the Borrower and Bank of any condition which interferes or threatens to interfere with the progress of Part C of the Project, the accomplishment of the purposes of the Loan, or the performance by CGIC of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of CGIC

Section 3.01. CGIC shall carry on its operations and conduct its affairs in accordance with sound administrative and financial, practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

ARTICLE IV

Financial Covenants

Section 4.01. (a) CGIC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) CGIC shall:

(i) have its records, 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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of CGIC hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms; and the Bank shall promptly notify CGIC of this event.

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

ARTICLE VI

Miscellaneous Provisions

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

For the Bank:

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For CGIC:

Credit Guarantee Insurance Corporation
of Africa Ltd
Credit Guarantee House
31 Dover Street,
Randburg
South Africa

Cable address:

credinsur
Johannesburg

Telex:

4 20508 SA

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CGIC may be taken or executed by the Senior General Manager and Chief Operating Officer or such other person or persons as CGIC shall designate in writing, and CGIC shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

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

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

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Callisto Madavo

Regional Vice President
Africa

CREDIT GUARANTEE INSURANCE
CORPORATION OF AFRICA LIMITED

By /s/ Franklin A. Sonn

Authorized Representative

SCHEDULE

Implementation Program

Eligibility Criteria for PFIs under Part C of the Project

1. CGIC, with the guidance of the Reinsurance Committee, shall be responsible for certifying PFIs on the basis criteria which shall, inter alia, include: (a) licensing in accordance with the Borrower's laws; and (b) an evaluation in CGIC's estimation of the solvency and financial position of said PFI.

2. Participation in Part C of the Project shall be open to any licensed financial intermediary which is supervised by the Reserve Bank of South Africa, and such other financial institutions, including development finance institutions and shipping and confirming agents, not supervised by the Reserve Bank, meeting the criteria referred to in paragraph 1 (b) above.

Terms and Conditions Relating to the Short-Term Export Finance Guarantee Facility under Part C of the Project

3. Exporters that meet the following criteria, shall be eligible for coverage under this Facility; (a) up to R5,000,000 in total assets; and (b) no more than 200 employees.

4. Exporters to be covered shall: (a) furnish a confirmed export Letter of Credit or other export order backed by CGIC export credit insurance; (b) be owned and managed by the private sector; (c) be registered or be in the process of registering as an exporter with DTI; (d) not be in default in any of its PFI Loan agreements with any of the PFIs; (e) provide evidence that the proceeds of the PFI Loan are to be used only

for inputs and working capital costs; (f) provide evidence (a legally binding statement) to show that its products are not intended for a military or paramilitary purpose or are not included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower and CGIC;

Group	Sub-group	Description of Items
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors; and

(g) obtain an assurance that the Exporter's activities comply with environmental standards in accordance with the laws of the Borrower.

5. Except as the Reinsurance Committee may from time to time agree in consultation with the Bank, the maximum and minimum size of a PFI Loan to be guaranteed under Part C of the Project shall be R.1,000,000 and R.50,000, respectively.

6. The guarantee provided by CGIC shall cover 90% of the amount of the PFI Loan (and associated interest up to 90 days) against risks arising from default by exporters.

7. CGIC shall consult with the Borrower and the Reinsurance Committee, from time to time, on the premium rate to be charged to the PFIs.

8. The guarantee maturity shall match that of the PFI Loan, and shall not in any case exceed 180 days.

9. CGIC shall enter into a Master Guarantee Agreement, acceptable to the Bank, with each PFI, whereby CGIC shall obtain rights adequate to protect the interests of the Borrower and the Bank including, inter alia, the requirement that:

(a) PFIs shall furnish to CGIC information as to:

- (i) the purpose of the PFI Loan,
- (ii) the guaranteed PFI Loan's effective date,
- (iii) export completion date,
- (iv) scheduled final maturity, and
- (v) default date,

(b) PFIs shall report arrears to CGIC within 30 days of the occurrence of a default under the PFI Loan Agreement;

(c) guarantee payment claims made by PFIs shall be eligible after 90 days have elapsed from the date of the occurrence of the default;

(d) PFI requests to CGIC for payment under the guarantee shall be paid within 30 days of receipt of such request by CGIC; and

(e) PFIs shall furnish audited annual reports to CGIC.

