
CREDIT NUMBER 460 TA

Project Agreement

(TIB Project)

BETWEEN

INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

TANZANIA INVESTMENT BANK

DATED FEBRUARY 13, 1974

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PROJECT AGREEMENT

AGREEMENT, dated February 13, 1974, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and TANZANIA INVESTMENT BANK (hereinafter called TIB).

WHEREAS by the Development Credit Agreement of even date herewith between United Republic of Tanzania (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to six million dollars (\$6,000,000), on terms and conditions set forth in the Development Credit Agreement, but only on condition that TIB agree to undertake such obligations toward the Association as are hereinafter set forth; and

WHEREAS TIB, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit 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. TIB shall carry out, or cause to be carried out, the Project and conduct its operations and affairs with due diligence and efficiency and in accordance with sound financial standards and practices, with qualified and experienced management and personnel, and in accordance with the Act and with the Statement of Policy.

Section 2.02. (a) In accordance with and subject to the provisions of the Development Credit Agreement, TIB shall submit Investment Projects to the

Association for approval or for authorisation for withdrawals to be made from the Credit Account.

(b) When submitting a sub-loan (other than a free-limit sub-loan) or an investment to the Association for approval, TIB shall furnish to the Association an application, in form satisfactory to the Association, together with a description of the Investment Enterprise and an appraisal of the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Credit relent to TIB under the Subsidiary Loan Agreement) and the proposed terms and conditions of the sub-loan or investment, including the schedule of amortization of the sub-loan or of repayment by TIB of the amount of the proceeds of the Credit relent to TIB under the Subsidiary Loan Agreement to be used for the investment and such other information as the Association shall reasonably request.

(c) Each request by TIB for authorization to make withdrawals from the Credit Account in respect of a free-limit sub-loan shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Credit relent to TIB under the Subsidiary Loan Agreement) and the terms and conditions of such free-limit sub-loan, including the schedule of amortization therefor.

(d) The amortization schedule applicable to each sub-loan and the Schedule of Repayments by TIB to the Borrower under the Subsidiary Loan Agreement shall provide for an appropriate period of grace, and, unless the Association and TIB shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Association of such sub-loan or investment, or in the case of a free-limit sub-loan, of authorization by the Association to make withdrawals from the Credit Account in respect thereof, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal, interest and charges or approximately equal semi-annual, or more frequent, payments of principal.

(e) Except as the Association and TIB shall otherwise agree, applications and requests made pursuant to paragraphs (a) and (b) of this Section shall be submitted to the Association on or before June 30, 1976.

Section 2.03. (a) TIB undertakes that, unless the Association shall otherwise agree, any sub-loan or investment will be made on terms whereby TIB shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Association and TIB,

including, in the case of any such sub-loan and to the extent that it shall be appropriate in the case of any such investment, the right of TIB to: (i) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with appropriate technical, financial and managerial standards and to maintain adequate records; (ii) require that (1) the goods and services to be financed out of the proceeds of the Credit shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them and (2) such goods and services shall be used exclusively in the carrying out of the Investment Project; (iii) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents; (iv) require that: (1) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (2) without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; (v) obtain all such information as the Association or TIB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise; (vi) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with TIB; and (vii) require the Investment Enterprise to assume any risk of loss resulting from changes in the rate of exchange between the currencies used in its operations relating to the Investment Project

(b) TIB shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interest of the Association and TIB, (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement, and (iii) achieve the purposes of the Project.

Section 2.04. TIB shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit relented to TIB under the Subsidiary Loan Agreement, the Project, the Investment Enterprises, the Investment Projects and the sub-loans and investments.

Section 2.05. TIB shall duly perform all its obligations under the Subsidiary Loan Agreement and under any other agreements under which funds have been

lent or otherwise put at the disposal of TIB by the Borrower or its agencies or others for relending, investment or management. Except as the Association shall otherwise agree, TIB shall not take or concur in any action which would have the effect of assigning, or of amending, abrogating or waiving any material provision of, any such agreement.

Section 2.06. If TIB establishes or acquires any subsidiary, TIB shall cause such subsidiary to observe and perform the obligations of TIB hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon such subsidiary.

ARTICLE III

Financial Covenants

Section 3.01. TIB shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of TIB.

Section 3.02. TIB 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 sound 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 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 the Association such other information concerning the accounts and financial statements of TIB and the audit thereof as the Association shall from time to time reasonably request.

Section 3.03. TIB shall not make any repayment in advance of maturity in respect of any outstanding debt of TIB which, in the judgment of the Association, would adversely affect TIB's ability to meet its financial obligations.

Section 3.04. Except as shall be otherwise agreed between the Association and TIB, TIB shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of TIB and all its subsidiaries then incurred and outstanding would be greater than three times the consolidated capital and surplus of TIB and all its subsidiaries. For the purposes of this Section:

(a) "debt" means any debt incurred by TIB or any subsidiary maturing more than one year after the date on which it is originally incurred;

(b) debt shall be deemed to be incurred: (i) under a loan contract or agreement on the date and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan or agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding;

(c) whenever in connection with this Section it shall be necessary to value in terms of Tanzanian Shillings debt payable in foreign currency, such valuation shall be made at the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable by TIB for the purposes of servicing such debt;

(d) "consolidated debt of TIB and all its subsidiaries" means the total amount of debt of TIB and subsidiaries, excluding any debt owed by TIB to any subsidiary or by any subsidiary to TIB or to any other subsidiary; and

(e) "consolidated capital and surplus of TIB and subsidiaries" means the aggregate of the unimpaired paid-up capital, surplus, and free reserves of TIB and subsidiaries after excluding therefrom such amounts as shall represent equity interests of TIB in any subsidiary or of any subsidiary in TIB or any other subsidiary.

Section 3.05. TIB shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies used in its operations.

ARTICLE IV

Consultation and Information

Section 4.01. The Association and TIB shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, the Association and TIB shall from time to time, at the request of either party exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of TIB and its subsidiaries, and any other matters relating to the purposes of the Credit.

Section 4.02. TIB shall furnish to the Association all such information as it shall reasonably request concerning the administration, operations and financial condition of TIB and its subsidiaries.

Section 4.03. The Association and TIB shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by either of them of its obligations under this Agreement or by TIB of its obligations under the Subsidiary Loan Agreement.

Section 4.04. TIB shall enable the Association's representatives to inspect the records referred to in Section 3.01 of this Agreement and any relevant documents.

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 Development Credit Agreement becomes effective.

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

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) a date twenty years after the date of this Agreement.

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

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated

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

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

For TIB:

Tanzania Investment Bank
P.O. Box 9373
Dar es Salaam
United Republic of Tanzania

Cable address:

INVESTMENTS
Dar es Salaam

Section 6.02. TIB shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of TIB, take any action or execute any documents required or permitted to be taken or executed by TIB pursuant to any of the provisions of this Agreement.

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 representatives thereunto duly authorized, have caused this Agreement to be signed

in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Bernard R. Bell

*Regional Vice President
Eastern Africa*

TANZANIA INVESTMENT BANK

By /s/ Paul Bomani

Authorized Representative