

Public Disclosure Authorized

CONFIRMED COPY

CREDIT NUMBER 814 GM

Project Agreement

(Rural and Urban Enterprises Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GAMBIA COMMERCIAL AND DEVELOPMENT BANK

Dated May 26, 1978

Public Disclosure Authorized

CREDIT NUMBER 814 GM

PROJECT AGREEMENT

AGREEMENT, dated May 26, 1978, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and GAMBIA COMMERCIAL AND DEVELOPMENT BANK (hereinafter called GCDB).

WHEREAS by the Development Credit Agreement of even date herewith between the Republic of The Gambia (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to three million dollars (\$3,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that GCDB agree to undertake such obligations toward the Association as hereinafter set forth;

WHEREAS by a subsidiary loan agreement between the Borrower and GCDB, a portion of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to GCDB on the terms and conditions therein set forth; and

WHEREAS GCDB, 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;
Management and Operations of GCDB**

Section 2.01. (a) GCDB shall carry out Parts A, B and C (1) of the Project described in Schedule 2 to the Development Credit Agreement with due diligence and efficiency and in conformity with

appropriate administrative, financial and engineering practices and shall conduct its operations and affairs in accordance with sound financial standards and practices, with qualified and experienced management and personnel, and in accordance with the Charter and Statement of Policy.

(b) GCDB shall make arrangements satisfactory to the Association to ensure the availability of adequate legal services to GCDB, including full-time employment of a suitably qualified and experienced lawyer as and when required.

Section 2.02. (a) In accordance with, and subject to, the provisions of the Development Credit Agreement, GCDB shall submit Sub-loans or Investments to the Association for approval or for authorization to make withdrawals from the Credit Account.

(b) When presenting a Sub-loan (other than a free-limit Sub-loan) or an Investment to the Association for approval, GCDB shall furnish to the Association an application, in form satisfactory to the Association, together with: (i) 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; (ii) the proposed terms and conditions of the Sub-loan or Investment, including the schedule of amortization of the Sub-loan, or of repayment to the Borrower of the amount to be used for the Investment; (iii) a description of the arrangements GCDB has made for ensuring the provision of technical assistance to the Investment Enterprise on an ongoing basis; (iv) a calculation of the internal financial rate of return and, in cases of import substitution, an evaluation of the economic rate of return in accordance with guidelines satisfactory to the Association; and (v) such other information as the Association shall reasonably request.

(c) Each request by GCDB for authorization to make withdrawals from the Credit Account in respect of a free-limit Sub-loan shall contain: (i) 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 Sub-loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(d) Except as the Association and GCDB shall otherwise agree, applications and requests made pursuant to the provisions of paragraphs (b) and (c) of this Section shall be presented to the Association on or before December 31, 1980.

(e) The amortization schedule applicable to each Sub-loan shall provide for an appropriate period of grace, and, unless the Association and GCDB shall otherwise agree: (i) shall not be less than two nor more than fifteen years from the date of approval by the Association of the Sub-loan, 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 semiannual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

(f) GCDB shall transmit to the Association, for its prior approval, any substantial changes proposed to be made by GCDB in respect of the repayment provisions of any Sub-loan.

Section 2.03. (a) Except as the Association shall otherwise agree, contracts for the purchase of goods or for civil works required for Part B of the Project shall be procured pursuant to international competitive bidding in accordance with procedures satisfactory to the Association.

(b) GCDB shall obtain the Association's approval of the design, method of construction, financing plan and proposed procurement procedures for its office building (Part B of the Project) prior to inviting bids for its construction.

Section 2.04. (a) GCDB undertakes to insure, or make adequate provision for the insurance of, the imported goods for Part B of the Project to be financed out of the proceeds of the Credit made available to it by the Borrower against 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 GCDB to replace or repair such goods.

(b) Except as the Association may otherwise agree, GCDB shall cause all goods and services for Part B of the Project financed out of the proceeds of the Credit made available to it by the Borrower to be used exclusively for the Project.

Section 2.05. (a) GCDB shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules in connection with Parts B and C (1) of the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) GCDB: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit made available to it by the Borrower for Parts B and C (1) of the Project, and to disclose the use thereof in the Project; (ii) shall, without limitation upon the provisions of paragraph (c) of this Section, enable the Association's representatives to visit the facilities and construction site for Part B of the Project and to examine the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning Parts A, B and C (1) of the Project, the expenditure of the proceeds of the Credit made available to it, the Investment Enterprises, Investment Projects and Sub-loans and Investments.

(c) GCDB shall: (i) enable the Association's representatives to examine all sites, works, buildings, property and equipment of GCDB; (ii) furnish to the Association all such information as the Association shall reasonably request concerning the administration, operations and financial condition of GCDB and its subsidiaries; and (iii) enable the Association's representatives to examine any relevant records and documents.

Section 2.06. GCDB shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, GCDB shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.07. (a) GCDB shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) GCDB shall promptly inform the Association of any condition which interferes, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by GCDB of its obligations under this Agreement or under the Subsidiary Loan Agreement.

Section 2.08. (a) GCDB shall exercise its rights in relation to each Investment Project in such manner as to protect the interests of the Association and of GCDB, to comply with its

obligations under this Agreement and the Subsidiary Loan Agreement and to achieve the purposes of the Project.

(b) Pursuant to paragraph (a) of this Section, GCDB undertakes that, unless the Association shall otherwise agree, any Sub-loan or Investment will be made on terms whereby GCDB 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 GCDB, including the right of GCDB to: (i) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound 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 Sub-loan or Investment 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, where practicable, 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 hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan or Investment 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 GCDB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise; and (vi) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Sub-loan upon failure by such Investment Enterprise to perform its obligations under its contract with GCDB.

Section 2.09. GCDB shall duly perform all its obligations in agreements under which funds have been lent or otherwise put at

the disposal of GCDB by the Borrower or its agencies or others for relending, investment or management. GCDB shall promptly inform the Association of any action which would have the effect of assigning, or of amending, abrogating or waiving any material provision of, any such agreement.

Section 2.10. If GCDB establishes or acquires any subsidiary, GCDB shall cause such subsidiary to observe and perform the obligations of GCDB hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon such subsidiary.

Section 2.11. (a) GCDB shall use in its lending operations standard forms of loan agreement and lease agreement satisfactory in form and substance to the Association. In particular, GCDB shall adopt, by September 30, 1978, or such later date as the Association may accept, a standard loan agreement satisfactory to the Association for purposes of its general loan operations financed out of resources of the Development Fund.

(b) GCDB shall at all times adequately supervise its loan portfolio in accordance with standards for supervision acceptable to the Association.

Section 2.12. GCDB shall make no change in its Statement of Policy without the prior concurrence of the Association.

Section 2.13. Except as the Association and GCDB shall otherwise agree, GCDB: (a) shall not sell, lease, transfer or otherwise dispose of any of its property or assets, except in the ordinary course of business; and (b) shall take all action necessary to maintain its corporate existence and right to carry on operations and to acquire, maintain and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

ARTICLE III

Financial Covenants

Section 3.01. GCDB 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 GCDB.

Section 3.02. GCDB 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 GCDB and the audit thereof as the Association shall from time to time reasonably request.

Section 3.03. GCDB represents that at the date of this Agreement no lien exists on any assets of GCDB or any subsidiary as security for any debt, except as otherwise currently reported or disclosed in writing by GCDB to the Association.

Section 3.04. Except as the Association shall otherwise agree, GCDB shall: (i) conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, its debt/equity ratio within the limit referred to in Section 3.06 of this Agreement; and (ii) if such ratio shall, for reasons beyond GCDB's control, be exceeded, promptly take all such reasonable action as shall be necessary or advisable to bring such ratio within such limit.

Section 3.05. GCDB shall not make any repayment in advance of maturity in respect of any outstanding debt of GCDB which, in the judgment of the Association, would affect materially and adversely GCDB's ability to meet its financial obligations.

Section 3.06. Except as shall be otherwise agreed between the Association and GCDB, GCDB shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of GCDB and all its subsidiaries then incurred and outstanding would be greater than four times the consolidated capital and surplus of GCDB and all its subsidiaries. For the purposes of this Section:

(a) "debt" means any debt incurred by GCDB 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 (including the Subsidiary Loan Agreement) on the date and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan contract 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 Dalasis, 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 GCDB for the purposes of servicing such debt;

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

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

Section 3.07. GCDB 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 (including Dalasis) used in its lending and borrowing operations.

Section 3.08. The Association and GCDB shall from time to time, at the request of either party, exchange views through their representatives with regard to the administration, operations and financial condition of GCDB and its subsidiaries.

Section 3.09. (a) Except as the Association shall otherwise agree, all Sub-loans shall bear interest at the rate of not less than 11% per annum.

(b) All amounts lent to GCDB under the Subsidiary Loan Agreement and all payments to GCDB from Investment Enterprises in respect of Sub-loans, as well as the proceeds of the sale by GCDB,

in whole or in part, of any Investment, shall be credited to GCDB's Development Fund and shall be utilized exclusively for the purpose of providing medium and long-term development finance.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of GCDB thereunder 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 fifteen 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 GCDB of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Development Credit Agreement.

ARTICLE V

Miscellaneous Provisions

Section 5.01. 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.

Telex:

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

For GCDB:

Gambia Commercial and
Development Bank
P.O. Box 666
Banjul
The Republic of The Gambia

Cable address:

COMDEVBANK
Banjul

Telex:

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Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of GCDB may be taken or executed by its Managing Director or such other person or persons as its Managing Director shall designate in writing.

Section 5.03. GCDB 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 GCDB, take any action or execute any documents required or permitted to be taken or executed by GCDB pursuant to any of the provisions of this Agreement.

Section 5.04. 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 in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger Chaufournier
Regional Vice President
Western Africa

GAMBIA COMMERCIAL AND DEVELOPMENT BANK

By /s/ Lamin Kiti Jabang
Authorized Representative