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Public Disclosure Authorized



CREDIT NUMBER 801 TA

Development Credit Agreement

(Second Cashewnut Development Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Public Disclosure Authorized

Dated June 14, 1978



CREDIT NUMBER 801 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 14, 1978, between UNITED REPUBLIC OF TANZANIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Project will be carried out by the Cashewnut Authority of Tanzania (hereinafter called CATA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CATA the proceeds of the Credit as hereinafter provided; 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 hereinafter set forth and in the Project Agreement of even date herewith between the Association and CATA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "Act" means the Borrower's Cashewnut Industry Act, 1973;

(b) "Project Agreement" means the agreement between the Association and CATA of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement; and

(c) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and CATA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twenty-seven million five hundred thousand dollars (\$27,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, 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 and to be financed out of the proceeds of the Credit.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Credit, shall be governed by the provisions set forth or referred to in Section 2.03 of the Project Agreement.

Section 2.04. The Closing Date shall be December 31, 1984, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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. Service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 1988, and ending February 15, 2028, each installment to and including the installment payable on February 15, 1998, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the 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) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause CATA to perform in accordance with the provisions of the Project Agreement and the Subsidiary Loan Agreement all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CATA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation on the foregoing, the Borrower: (i) shall relend to CATA fifty per cent of the proceeds of the Credit (\$13,750,000 equivalent) and fifty per cent of the other funds (estimated to be \$3,500,000 equivalent) required for the Project under a subsidiary loan agreement to be entered into between the Borrower and CATA under terms and conditions which shall have been approved by the Association including, inter alia, repayment in 15 years inclusive of five years grace and a rate of interest of ten per cent per annum and (ii) shall make available to CATA as equity fifty per cent of the proceeds of the Credit (\$13,750,000 equivalent) and fifty per cent of the other funds (estimated to be \$3,500,000 equivalent) required for the Project.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the

interests of the Borrower and 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.

Section 3.02. The Borrower shall carry out, or cause to be carried out, by December 31, 1979, a study to determine occupational health hazards in its cashewnut industry and to formulate criteria for monitoring such hazards, and thereafter in consultation with the Association shall implement, as appropriate, the recommendations of such study.

Section 3.03. The Borrower agrees that the new cashewnut grading system followed during the 1977/78 season shall be reviewed no later than June 30, 1980, and if such review indicates that the new system is not satisfactory, CATA shall be authorized to follow the 1976/77 system for cashewnut grading, or such other system as shall be satisfactory to the Association and CATA.

Section 3.04. The Borrower shall continue to maintain a pricing structure for cashewnuts based on, inter alia, the grading of such nuts and closely relating farm gate prices (less appropriate processing and marketing costs) to appropriate world prices.

ARTICLE IV

Remedies of the Association

Section 4.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) CATA shall have failed to perform any of its obligations under the Project Agreement;

(b) the organization, powers or responsibilities of CATA shall have been terminated or altered so as to affect materially and adversely the carrying out by CATA of its obligations under the Project Agreement; and

(c) an extraordinary situation shall have arisen which shall make it improbable that CATA will be able to perform its obligations under the Project Agreement.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) any event specified in paragraph (a) of Section 4.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower and CATA; and

(b) any event specified in paragraph (b) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that (a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and CATA; and (b) the position of Finance Director shall have been filled in accordance with the provisions of Section 2.04 of the Project Agreement.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by CATA, and is legally binding upon CATA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and CATA and is legally binding upon the Borrower and CATA in accordance with its terms.

Section 5.03. The date September 14, 1978 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.04. The obligations of the Borrower under Sections 3.03 and 3.04 of this Agreement and the provisions of Section 4.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purpose of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Planning
P.O. Box 9111
Dar es Salaam
Tanzania

Cable address:

TREASURY
Dar es Salaam

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)

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.

UNITED REPUBLIC OF TANZANIA

By /s/ Paul Bomani
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works and water supply facilities	9,000,000	65%
(2) Equipment and vehicles	10,500,000	100% of foreign expenditures
(3) Technical assis- tance	6,000,000	100% of foreign expenditures
(4) Unallocated	2,000,000	
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TOTAL	27,500,000	
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2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,500,000 may be made in respect of Category (1) on account of payments made for such expenditures before that date but after April 15, 1978.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

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

SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

Part A:

1. The establishment, including construction, installation and equipping, of three new cashewnut processing factories one each at Kibaha, Newala and Mtwara each with the capacity of processing 10,000 tons of raw cashewnuts annually.
2. Construction of about 17 staff houses each at Kibaha and at Newala.

Part B:

1. Expansion of cashewnut shell liquid storage facilities in Mtwara, including a storage tank with a capacity of about 750 tons, and related pumps and piping.
2. Provision of vehicles to, inter alia, transport cashewnut shell liquid from existing and new factories to port storage facilities, and to transport cashewnut kernels and packing materials from the factories to the port.

Part C:

Strengthening the management capability of CATA by, inter alia, training and improving CATA's technical, financial and accounting staff.

Part D:

1. Strengthening CATA's cashewnut research program, including the provision of experts, vehicles and equipment.
2. Carrying out a study to determine occupational health hazards in cashewnut factories and to formulate criteria for monitoring such hazards.

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The facilities included in Part A.1 of the Project are expected to start commercial operation in late 1980. The remaining Parts of the Project are expected to be completed by December 31, 1983.