

No. 9652

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
UNITED REPUBLIC OF TANZANIA

**Development Credit Agreement—*Beef Ranching Developing Project* (with annexed Credit Regulations No. 1, as amended).
Signed at Washington on 31 October 1968**

Authentic text: English.

Registered by the International Development Association on 23 June 1969.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
RÉPUBLIQUE-UNIE DE TANZANIE

Contrat de crédit de développement — *Projet relatif au développement de stations d'élevage des bovins* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington le 31 octobre 1968

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 23 juin 1969.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated October 31, 1968, between UNITED REPUBLIC OF TANZANIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the National Development Corporation (hereinafter called NDC) has been established by the National Development Corporation Act, 1962, of the Borrower for the purpose of facilitating and promoting the economic development of the Borrower, and for facilitating and promoting the participation of other persons and bodies in the said economic development;

WHEREAS the National Agricultural Company, Ltd. (hereinafter called NACO) a subsidiary company of NDC duly organized under the laws of the Borrower, has been established for the purpose of promoting agricultural development;

WHEREAS the Borrower has requested the Association to assist in the financing of a beef ranching development project described in Schedule 2 to this Agreement;

WHEREAS the Borrower will make available to NDC the proceeds of the credit provided for herein pursuant to a loan agreement to be entered into between the Borrower and NDC;

WHEREAS NDC has in turn undertaken to relend the proceeds of the said credit to NACO for the purposes of financing the said beef ranching development project, pursuant to a loan agreement to be entered into between NDC and NACO; and

WHEREAS the Association has agreed to make a credit to the Borrower for the said project upon the terms and conditions set forth herein and in a project agreement of even date herewith between the Association, NDC and NACO;

NOW THEREFORE the parties hereby agree as follows:

¹ Came into force on 15 January 1969, upon notification by the Association to the Government of the United Republic of Tanzania.

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961 as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations):

(a) Section 6.02 is amended by inserting the words “or any party under the Project Agreement” after the words “the Development Credit Agreement”.

(b) The following sub-paragraph is added to Section 9.01: “13. The term ‘Project Agreement’ shall have the meaning set forth in the Development Credit Agreement”.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Development Credit Agreement shall have the following meanings:

(a) The term “Project Agreement” means the agreement of even date herewith between the Association, NDC and NACO, as the same may be amended or supplemented from time to time by agreement between the Borrower, the Association, NDC and NACO.

(b) The term “First Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and NDC referred to in Section 4.02 (a) of this Agreement, as the same may be amended or supplemented from time to time with the approval of the Association.

(c) The term “First Subsidiary Loan” means the loan provided for in the First Subsidiary Loan Agreement.

(d) The term “Second Subsidiary Loan Agreement” means the agreement to be entered into between NDC and NACO, referred to in Section 4.02 (c) of this Agreement, as the same may be amended or supplemented from time to time with the approval of the Association.

(e) The term “Second Subsidiary Loan” means the loan provided for in the Second Subsidiary Loan Agreement.

¹ See p. 374 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one million three hundred thousand dollars (\$1,300,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods required for the Project and to be financed under this Development Credit Agreement the equivalent of sixty-five per cent (65%) of such amounts as shall have been paid by NACO for expenditures under Category A and under Category B of said Schedule 1; provided, however, that if there shall be an increase in the estimate of such expenditures under either of such Categories, the Association may by notice to the Borrower adjust the above percentage in respect of the Category showing the increase as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the expenditures remaining to be made under such Category.

(b) Except as shall be otherwise agreed between the Borrower and the Association, no withdrawals shall be made on account of:

- (i)* expenditures made prior to the date of this Agreement, and
- (ii)* expenditures on any ranch included in the Project, unless satisfactory evidence shall have been furnished to the Association of the grant by the Borrower to NACO of appropriate rights of user in respect of the whole parcel of land on which such ranch is situated.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be paid semi-annually on March 1 and September 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 1 and September 1 commencing September 1, 1978 and ending March 1, 1988 each installment to and including the installment payable on March 1, 1988 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Section 2.07. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 3.02 of the Regulations.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Agreement exclusively to expenditures on the Project described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, (i) the fencing wire and water piping to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding as set forth in the *Guidelines Relating to Procurement under World Bank Loans and IDA Credits* published by the Association in February 1968, and in accordance with such other procedures supplemental thereto as shall be agreed between the Association and the Borrower, and (ii) any contract for the procurement of such goods shall be subject to the approval of the Association.

Section 3.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound agricultural, administrative, economic and financial practices and shall at all times make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall take all action which shall be necessary on its part to enable NDC and NACO to perform their respective obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by NDC and NACO.

(c) The operating policies and procedures for the carrying out of the Project shall be agreed from time to time between the Borrower and the Association.

Section 4.02. For the purposes of carrying out the Project, the Borrower undertakes to make the following financial arrangements:

(a) The Borrower shall relend the proceeds of this Credit to NDC on terms and conditions satisfactory to the Association, pursuant to a loan agreement satisfactory to the Association.

(b) The Borrower shall exercise its rights under the First Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association, and, except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the First Subsidiary Loan Agreement.

(c) The Borrower shall cause NDC to relend the proceeds of the First Subsidiary Loan to NACO on terms and conditions satisfactory to the Borrower and the Association, pursuant to a loan agreement satisfactory to the Association.

(d) The Borrower shall cause NDC to make available to NACO, by way of subscription to the capital stock of NACO, funds equivalent to 35% of the total cost of carrying out the ranch development referred to in Part A of the Project.

Section 4.03. The Borrower shall cause NDC to use the proceeds of the payments received from NACO on account of the Second Subsidiary Loan and which are not required to service the First Subsidiary Loan and to defray

administrative costs in respect of the Second Subsidiary Loan, for the purpose of financing further agricultural development through its subsidiary companies.

Section 4.04. The Borrower shall: (i) maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting practices, the operations with respect to the Project of NDC, NACO and the Ministries and other agencies of the Borrower responsible for carrying out the Project; (ii) enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the Credit, the Project, the goods, and the administration and operations with respect to the Project of NDC, NACO and the Ministries and other agencies of the Borrower responsible for carrying out the Project.

Section 4.05. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.06. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.07. This Development Credit Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.08. The Borrower shall take all necessary steps to ensure that NACO acquires indefeasible title to the parcels of land on which the ranches included in the Project are situated.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in Section 5.02 of this Development Credit Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in the Development Credit Agreement to the contrary notwithstanding.

Section 5.02. The following are specified as additional events for the purposes of paragraph (k) of Section 5.02 of the Regulations:

- (a) NDC or NACO shall have failed to perform any of its obligations under the Project Agreement;
- (b) before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have taken any action for the dissolution or disestablishment of NDC or NACO or for the suspension of their operations, without the prior consent of the Association;
- (c) before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have suspended, terminated, repealed or amended the National Development Corporation Act, 1962 so as to affect adversely the ability of NDC to carry out the covenants and agreements set forth in the Project Agreement;
- (d) the Borrower or NDC shall have failed to perform any of its obligations under the First Subsidiary Loan Agreement; and

- (e) before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have divested NACO of its title to, or rights or other interests in, any of the parcels of land on which the ranches included in the Project are situated, without the consent of the Association.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations:

- (a) the execution and delivery of the Project Agreement on behalf of NDC and NACO have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the First Subsidiary Loan Agreement has been duly executed in form satisfactory to the Association and has become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of the Development Credit Agreement; and
- (c) the Second Subsidiary Loan Agreement has been duly executed in form satisfactory to the Association and has become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of the First Subsidiary Loan Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association:

- (a) the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, NDC and NACO and constitutes a valid and binding obligation of NDC and NACO, respectively, in accordance with its terms;
- (b) the First Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitutes a valid and binding obligation of the parties thereto in accordance with its terms; and

- (c) the Second Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

Section 6.03. The date of January 31, 1969 is hereby specified for the purposes of Section 8.04 of the Regulations.

Section 6.04. Upon termination of the Project Agreement in accordance with its terms, the obligations of the Borrower with respect to the Project and NDC and NACO shall forthwith terminate.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations:

For the Borrower:

The Principal Secretary
The Treasury
P. O. Box 9111
Dar es Salaam
United Republic of 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.

Section 7.03. The Minister of the Borrower for the time being responsible for finance is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit 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.

United Republic of Tanzania:

By Michael LUKUMBUZYA
Authorized Representative

International Development Association:

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
A. Long-term loan for investment in beef ranching development	\$1,035,000
B. Technical services and training	165,000
C. Unallocated.	100,000
	<hr/>
	TOTAL
	<u>\$1,300,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in either Category A or Category B shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category A or Category B, as the case may be, will be reallocated by the Association to Category C.

2. If the estimate of the cost of the items included in either Category A or Category B shall increase, an amount equal to 65% of such increase will be allocated by the Association, at the request of the Borrower, to such Category A or Category B, as the case may be, from Category C, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Category.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the first phase of the Borrower's comprehensive livestock development program and consists of the following parts:

A. Ranch Development

The provision of finance, as follows, to NACO for the development of five large-sized beef ranches with a total carrying capacity of 55,000 to 65,000 animal units per annum:

(i) a long-term loan from the Borrower, through NDC, to NACO, and

(ii) equity investment by NDC in NACO.

The location of the said ranches will be determined by agreement between the Association, the Borrower and NACO.

Ranch development includes investments for on-ranch roads and firebreaks, fencing, water supplies, stock handling and animal health control facilities, machinery, ranch buildings and breeding stock and the initial procurement of feeder steers for fattening.

B. Technical Services and Training

- (i) The provision of technical services for NACO to prepare ranch development plans and to supervise their execution, to make studies for efficient development of livestock watering facilities and to evaluate the effectiveness of tsetse clearance and control measures by the Borrower for Project ranches, and
- (ii) The provision of a ranch management training for NACO.

The Project is scheduled to be completed by mid-1973.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 617, p. 60.*]