

No. 10865

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ZAMBIA**

Loan Agreement—*Commercial Crops Farming Development Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank and the Tobacco Board of Zambia). Signed at Washington on 5 June 1970

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 2 December 1970.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ZAMBIE**

Contrat d'emprunt — *Projet relatif au développement des cultures commerciales* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et le Tobacco Board of Zambia). Signé à Washington le 5 juin 1970

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 2 décembre 1970.

LOAN AGREEMENT¹

AGREEMENT, dated June 5, 1970, between the REPUBLIC OF ZAMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Tobacco Board of Zambia (hereinafter called the Board), a statutory body corporate established by the Tobacco Act, 1967, of the Borrower, is charged, *inter alia*, with the promotion of the production of tobacco grown in the territories of the Borrower and with providing and operating such other services and facilities as may be necessary or convenient for the tobacco industry;

WHEREAS the Borrower has requested the Bank to assist in the financing of a commercial crops farming development project described in Schedule 3 to this Agreement, to be administered by the Board; and

WHEREAS the Bank, on the basis *inter alia* of the foregoing, has agreed to make a loan to the Borrower for the said project upon the terms and conditions set forth herein and in a project agreement of even date herewith² between the Bank and the Board;

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 Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions):

- (a) The following subparagraph is added to Section 2.01: "20. The term 'Project Agreement' shall have the meaning set forth in the Loan Agreement."

¹ Came into force on 14 October 1970, upon notification by the Bank to the Government of Zambia.

² See p. 102 of this volume.

³ *Ibid.*

- (b) Section 6.06 is amended by inserting the words “the Project Agreement” after the words “the Loan Agreement”.
- (c) Section 9.01 is amended by inserting the words “the Project Agreement” after the words “the Loan Agreement” in both places in which these words appear.
- (d) Section 9.03 is amended by inserting the words “Project Agreement” after the words “the Loan Agreement”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) “Minister” means the member of the Cabinet charged with the functions of the “Minister responsible for finance” under the General Loans (International Bank) Act, 1966, of Zambia, or, if the President assumes such functions, the President.

(c) “Mukonchi Training Unit” means the establishment for the training of tobacco farmers operated on a number of estates located in Mukonchi in the Central Province of Zambia.

(d) “Assisted Tenant Farmer Scheme” means the part of the Project described in paragraph 2 of Schedule 3 to this Agreement.

(e) “Tenant Farmer Scheme” means the part of the Project described in paragraph 3 of Schedule 3 to this Agreement.

(f) “One-Acre Scheme” means the part of the Project described in paragraph 4 of Schedule 3 to this Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million five hundred thousand dollars (\$5,500,000).

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

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the allocation of the proceeds of the Loan 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 Bank.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category I of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement;
- (ii) the equivalent of fifty per cent (50%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category II of said allocation of the proceeds of the Loan; and
- (iii) the equivalent of seventy-five per cent (75%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for services included in Category III of said allocation of the proceeds of the Loan;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in either of the Categories II or III, the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Section 2.03 (a) (ii) or (iii) of this Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from the territories of the Borrower.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the following goods and services to be financed out of the proceeds of the Loan shall be procured as follows:

- (i) Contracts for equipment and materials amounting to \$30,000 equivalent or more, and contracts for construction or development amounting to \$140,000 equivalent or more, shall be awarded on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank. Such contracts shall be subject to the prior approval of the Bank; and
- (ii) Contracts for equipment and materials amounting to less than \$30,000 equivalent, and contracts for construction or development amounting to less than \$140,000 equivalent, shall be awarded on the basis of competitive bidding in Zambia and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank.

Section 3.03. Until the completion of the Project, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project, except as the Bank shall otherwise agree.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The Minister and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, agricultural and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall take all actions necessary on its part to enable the Board to perform its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by it.

Section 5.02. (a) Within twelve months of the date of this Agreement, the Borrower shall, in cooperation with the Board, initiate surveys, with a full investigation of water and fuel-wood resources, to select the farms to be included in the Project.

- (i) With respect to farms to be leased to farmers trained at the Mukonchi Training Unit, the sites selected shall have adequate water and fuel-wood resources that can be developed in an economic and dependable manner for sustained long-term operation. These surveys shall also determine how many such trainees can be settled in the vicinity of Mukonchi, and in other areas shall be designed to select suitable locations for the remaining trainees to be settled in blocks accommodating between 70 and 100 farms under the Assisted Tenant Farmer Scheme.
- (ii) With respect to other farms to be included in the Project, the sites selected shall have adequate fuel-wood resources, either directly on each farm or on land located proximately to the farm and which its lessee shall be entitled to exploit, adequate to meet the requirements of the farm for a minimum period of 10 years.

(b) Without restriction or limitation upon the provisions of Section 5.01 (a) of this Agreement, the Borrower shall, promptly as needed, acquire and make available for the Project all lands required for use by the Mukonchi Training Unit and for the farms included in the Project, for a period of 99 years or as the Bank shall otherwise agree.

Section 5.03. (a) Prior to October 1, 1970 and thereafter prior to August 1 in each year, the program for developing the farms included in the Project during the twelve months commencing on January 1 of the next year, shall be agreed between the Borrower, the Bank and the Board.

(b) All funds necessary to carry out the Project shall be made available by the Borrower to the Board in the form of annual lump-sum allocations based on the annual farm development programs provided for in paragraph (a) of this Section.

Section 5.04. The Borrower shall make appropriate arrangements with commercial banks in Zambia or any other source satisfactory to the Bank for the provision of seasonal and medium-term credits to the farmers leasing the farms included in the Project.

Section 5.05. The Borrower shall make available to the Board suitably trained nationals as candidates for the staff of the Board so as to enable it to employ for the Assisted Tenant Farmer Scheme at least one Grower/Advisor for every 32 farmers trained at the Mukonchi Training Unit and at least one Manager for every 12 farmers not so trained.

Section 5.06. The Borrower shall cause the Research Department of its Ministry of Rural Development to assist the Mukonchi Training Unit in carrying out the field and commercial scale trials provided for in Section 2.03 of the Project Agreement.

Section 5.07. The Borrower (i) shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and the expenditure of the proceeds of the Loan and to reflect in accordance with consistently maintained sound accounting practices the operations, in respect of the Project, of the Board and the other departments or agencies of the Borrower responsible for the carrying out of any part of the Project; (ii) shall enable accredited representatives of the Bank to inspect the Project and the farms included therein, the Mukonchi Training Unit, the goods financed out of the proceeds of the Loan, and any relevant records and documents; and (iii) shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning: the expenditure of the proceeds of the Loan; the goods and services financed out of the proceeds of

the Loan; the Project; and the administration and operations, in respect of the Project, of the Board and the other departments or agencies of the Borrower responsible for the carrying out of any part of the Project.

Section 5.08. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof, and each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. 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 balance of payments position of the Borrower.

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the carrying out of the Project or the maintenance of the service of the Loan.

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

Section 5.09. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(b) The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Bank of Zambia and any other institution performing the functions of a central bank.

Section 5.10. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deductions 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; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.11. The Loan Agreement and the Bonds 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, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) the Board shall have failed to perform any of its obligations under the Project Agreement and such event shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Board;
- (b) the Borrower shall have taken any action for the dissolution or disestablishment of the Board or for the suspension of its operations, without the prior consent of the Bank;
- (c) the Borrower shall, without the prior consent of the Bank, have divested the Board of its title to, or rights or other interests in, any of the

land on which the Mukonchi Training Unit is situated and such event shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Board;

- (d) the Borrower shall have failed to enact and bring into force by January 1, 1971 the amending legislation provided for in Section 7.01 (d) of this Agreement, or shall have suspended, terminated, repealed or otherwise amended its Tobacco Act, 1967, so as to affect the Project adversely.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) the execution and delivery of the Project Agreement on behalf of the Board have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the Borrower has submitted to the Bank evidence that the arrangements for short- and medium-term credit specified in Section 5.04 of this Agreement have been made;
- (c) the Board has concluded the contract for the management of the Mukonchi Training Unit specified in Section 2.02 (a) of the Project Agreement; and
- (d) the Borrower shall have published a bill proposing legislation amending the Tobacco Act, 1967, so as to enable the Board to carry out its functions under the Project Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Board and constitutes a valid and binding obligation of the Board, in accordance with its terms; and
- (b) all lands required for the use of the Mukonchi Training Unit have been made available to the Board in accordance with the provisions of Section 5.02 (b) of this Agreement.

Section 7.03. The date of August 31, 1970 is hereby specified for the purpose of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1975 or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. The Minister is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministry of Development and Finance
P.O. Box RW.62
Ridgeway
Lusaka, Zambia

Alternative address for cables:

Finance, Ridgeway
Lusaka

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

Intbafrad
Washington, D.C.

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

Republic of Zambia:

By MATIAS M. CHONA
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Farm machinery, vehicles, other equipment and building materials imported for the Project	1,200,000
II. Farm machinery, vehicles, other equipment and building materials procured locally; building and road construction; land and water development	3,200,000
III. Emoluments of principal non-Zambian headquarters staff of the Board and payments to the Mukonchi managing agent	500,000
IV. Unallocated	<u>600,000</u>
TOTAL	5,500,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to III shall increase, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category IV.

2. If the estimate of the cost of the items included in any of the Categories I to III shall decrease, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or, in the case of Category II, an amount equal to 50% of such increase and, in the case of Category III, an amount equal to 75% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
June 1, 1976	70,000	December 1, 1977	80,000
December 1, 1976	75,000	June 1, 1978	80,000
June 1, 1977	75,000	December 1, 1978	85,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
June 1, 1979	90,000	June 1, 1987	150,000
December 1, 1979	90,000	December 1, 1987	160,000
June 1, 1980	95,000	June 1, 1988	165,000
December 1, 1980	95,000	December 1, 1988	170,000
June 1, 1981	100,000	June 1, 1989	175,000
December 1, 1981	105,000	December 1, 1989	180,000
June 1, 1982	110,000	June 1, 1990	185,000
December 1, 1982	110,000	December 1, 1990	195,000
June 1, 1983	115,000	June 1, 1991	200,000
December 1, 1983	120,000	December 1, 1991	205,000
June 1, 1984	125,000	June 1, 1992	215,000
December 1, 1984	130,000	December 1, 1992	220,000
June 1, 1985	135,000	June 1, 1993	230,000
December 1, 1985	135,000	December 1, 1993	240,000
June 1, 1986	140,000	June 1, 1994	245,000
December 1, 1986	145,000	December 1, 1994	260,000

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{3}{4}\%$
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	$2\frac{3}{4}\%$
More than eleven years but not more than sixteen years before maturity	$4\frac{1}{4}\%$
More than sixteen years but not more than twenty-one years before maturity	$5\frac{1}{2}\%$
More than twenty-one years but not more than twenty-three years before maturity	$6\frac{1}{2}\%$
More than twenty-three years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of:

1. The expansion of the Mukonchi Training Unit so that it will have a capacity to produce an annual output of 50 farmers trained in tobacco and maize production;
2. The development of about 270 tobacco and maize farms, each of approximately 170 acres arable land, to be made available to farmers trained at the Mukonchi Training Unit or having otherwise acquired suitable managerial experience (the "Assisted Tenant Farmer Scheme");

3. The development of about 15 new farms and the refurbishing of about 15 partially developed farms, each of approximately 500 acres arable land, to be made available to farmers having suitable managerial experience (the "Tenant Farmer Scheme"); and
4. The provision of technical assistance to the Board in the development of schemes for the growing of tobacco by small farmers and the preparation of suitable investment projects (the "One-Acre Scheme").

The Project is expected to be completed by July 31, 1979.

SCHEDULE 4

PROCUREMENT

1. Equipment shall, as far as possible and in accordance with sound procurement practices, be purchased by bulk contracts.

2. For contracts referred to in subsection (i) of Section 3.02 of this Agreement, the Bank's approval shall be obtained in advance for all international bid invitation documents and for the tendering procedures. After bids have been received, a summary and analysis of these shall be sent to the Bank, together with the recommendations for awards and a justification for any award proposed to be made to other than the lowest bidder.

3. For contracts referred to in subsection (ii) of Section 3.02 of this Agreement, tender notices shall be widely circulated within Zambia, to local and foreign suppliers and contractors.

4. As soon as possible after the execution of any contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of the contract, a certified copy thereof shall be sent to the Bank.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

PROJECT AGREEMENT

AGREEMENT, dated June 5, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TOBACCO BOARD OF ZAMBIA (hereinafter called the Board).

WHEREAS by a Loan Agreement of even date herewith¹ between the Republic of Zambia (hereinafter called the Borrower) and the Bank, which agreement, the schedules therein referred to and the General Conditions Applicable to Loan and Guarantee Agreements² of the Bank made applicable thereto are hereinafter called the Loan Agreement, the Bank has agreed to assist in the financing of a commercial crops farming development project of the Borrower by making available to the Borrower an amount in various currencies equivalent to five million five hundred thousand dollars (\$5,500,000) on the terms and conditions set forth in the Loan Agreement, but only on condition *inter alia* that the Board agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS the Board, in consideration of the Bank's entering into the Loan 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 Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) The Board shall carry out the Project with due diligence and efficiency and shall at all times conduct its operations and affairs in accordance with sound administrative, financial, agricultural and economic practices and under the supervision of experienced and competent management.

(b) Prior to October 1, 1970 and thereafter prior to August 1 in each year, the Board shall develop and submit to the Borrower and the Bank for their agreement in accordance with Section 5.03 (a) of the Loan Agreement, a program (including the financial requirements) for developing the farms included in the Project during the twelve months commencing on January 1 of the next year.

(c) Until the Closing Date, all appointments to the positions of General Manager, Chief Accountant and Production Manager of the Board shall be mutually acceptable to the Bank and the Board.

(d) The Board shall only appoint a manager of the One-Acre Scheme after consulting with the Bank sufficiently in advance of such appointment for the latter to have adequate opportunity to comment on it.

¹ See p. 78 of this volume.

² See p. 102 of this volume.

(e) Until the Closing Date, the Board shall consult the Bank before undertaking to assist in the establishment of any tobacco farms other than those included in the Project or any that may be established in connection with the One-Acre Scheme.

Section 2.02. (a) The Board shall conclude with a managing agent acceptable to the Bank a contract for managing the Mukonchi Training Unit, on terms and conditions satisfactory to the Bank.

(b) The Board shall, in an appropriate form approved by the Bank, conclude with each farmer to whom a farm included in the Project is to be made available a lease, underlease or sub-right of occupancy, the terms of which shall not be changed or waived without the approval of the Bank and which shall provide for payments at rates approved by the Bank.

(c) The Board shall conclude with each farmer in the Assisted Tenant Farmer Scheme a supervision and management contract in an appropriate form approved by the Bank and providing for the payment of fees at rates approved by the Bank.

Section 2.03. The Board shall arrange for the Mukonchi Training Unit to undertake field trials, with the assistance of the Research Department of the Borrower's Ministry of Rural Development, of crops suitable for inclusion with maize and tobacco in the crop rotation practiced on the Unit's farms, and where appropriate to make such trials on a commercial scale. These trials are to be designed to establish alternative economic rotation of crops, and to instruct trainees of the Unit in handling different rotations and crops.

Section 2.04. The Board shall cause all goods and services financed out of the proceeds of the Loan (i) to be used exclusively in the territories of the Borrower in carrying out the Project; and (ii) to be procured in accordance with the methods and procedures provided in Section 3.02 of the Loan Agreement and in agreements supplemental thereto.

Section 2.05. The Board shall establish and maintain separate accounts for the Project and have such accounts and its own financial statements audited annually by an independent accountant or accounting firm acceptable to the Bank, and shall transmit to the Bank, not later than four months after the close of the Board's fiscal year, certified copies of such accounts and a signed copy of such accountant's or such firm's report.

Section 2.06. The Board shall (i) maintain records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project and to reflect in accordance with consistently maintained sound accounting practices all financial transactions between the Borrower and the Board with respect to the Project and the operations and financial condition of the Board; and (ii) shall enable accredited representatives of the Bank to inspect the Project and the farms included therein, the Mukonchi Training Unit, the goods financed out of the proceeds of the Loan and any relevant records and documents.

Section 2.07. Except as the Bank shall otherwise agree, the Board shall insure or cause to be insured the imported goods to be financed out of the proceeds of the Loan, against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity under such insurance to be payable in a currency freely usable by the Board to replace or repair such goods.

Section 2.08. The Bank and the Board shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other party all such information as such other party shall reasonably request.

Section 2.09. The Bank and the Board shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. The Board shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, or the performance by the Board of its obligations under this Project Agreement, or, where appropriate, the carrying out of the provisions of the Loan Agreement.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall enter into force and effect on the Effective Date. If the Loan Agreement shall terminate pursuant to Section 11.04 of the General Conditions, the Bank shall promptly notify the Board of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. On the date on which the Loan Agreement shall terminate, this Project Agreement and all obligations of the Board hereunder shall forthwith terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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 or cablegram to the party to which it is required or permitted to be given or made at its 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
United States of America

Alternative address for cables:

Intbafrad
Washington, D.C.

For the Board:

Tobacco Board of Zambia
P.O. Box 1963
Lusaka, Zambia

Alternative address for cables:

TIB
Lusaka

Section 4.03. The Board shall furnish to the Bank sufficient evidence of the authority of the persons who will, on behalf of the Board, take any action or execute any documents required or permitted to be taken or executed by the Board pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 4.04. This Project 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 Project Agreement to be signed in their respective names and to be delivered 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 J. BURKE KNAPP
Vice President

Tobacco Board of Zambia:

By MATIAS M. CHONA
Authorized Representative
